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Singapore's search for fresh opportunities, Page 12

World news

French opposition spells out changes

France's main opposition parties spelled out some of the sweeping changes they propose – from lightening industry's tax burden to denationalisation and the creation of an independent Central Bank – to give freer rein to competition and markets forces.

A mass rally in Paris intended to celebrate the unity of the opposition turned sour, however, when former Prime Minister Raymond Barre reacted with anger to remarks by Jacques Chirac, leader of the neo-Gaullist RPR, that implied he was responsible for the divisions within the opposition.

The "liberal convention," organised by former President Valery Giscard d'Estaing to prepare a joint opposition platform for next March's elections, was the first time that the three leaders have appeared on the same public platform since 1981. Page 2

Zia accuses Moscow

Pakistan President Zia ul-Haq accused Soviet pilots of bombing Pakistani territory along the border with Afghanistan.

Soviet breakthrough

Soviet forces have broken through an 11-month rebel siege of a garrison in eastern Afghanistan but still face resistance from guerrillas in the surrounding mountains.

Italians vote

Italians began two days of voting on a referendum sponsored by the opposition Communist Party aimed at reversing a wage cut imposed by government decree last year. Page 2

Ministers freed

Sudanese authorities freed three ex-ministers detained after the April coup which ousted President Jaafar Nimeiri.

Body 'is Mengele's'

West German detectives sent to Brazil believe that a body exhumed near São Paulo is that of wanted war criminal Josef Mengele, reported German newspaper Die Welt. But new doubts have been raised in Brazil.

Sikhs fight

Fist fights broke out between militant and moderate Sikhs on their holiest shrine the Golden Temple during a meeting between rival factions.

India clashes

Widespread violence swept Guajarat state in India with at least 14 people burned alive and six others killed in clashes over job and college quotas for underprivileged groups.

UN colonel freed

A French United Nations colonel kidnapped in south Lebanon was released following intervention by Israeli Prime Minister Shimon Peres. He was seized while negotiating the release of 21 Finnish UN troops taken hostage by militia men. Page 2

Peking's gesture

The Chinese Government named 23 people from Hong Kong, including shipping millionaire Sir Y. K. Pao and the Anglican bishop, to a committee of 59 to draft in the next five years the territory's post 1997 constitution. Page 2

Trade restricted

Norway approved measures to restrict trade with South Africa that could disrupt vital shipments of oil there. Page 2

Wilander French title

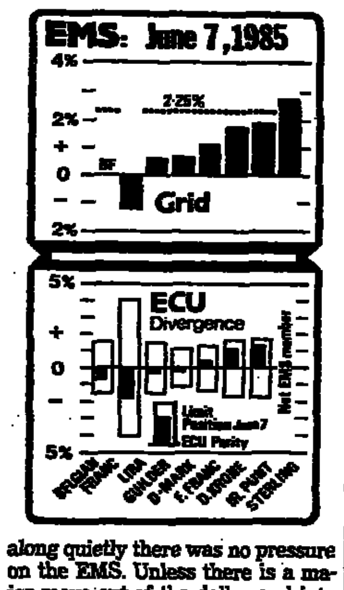
Mats Wilander (Sweden) beat holder Ivan Lendl (Czechoslovakia) 3-6, 6-4, 6-2, 6-2 in the French tennis championships men's singles final in Paris.

Business summary

UK money broker seeks SE listing

CHARLES FULTON, fourth largest among the UK-based companies which dominate the international business of money and foreign exchange broking, plans to seek a full London Stock Exchange listing for its shares, probably in October. Page 14

EUROPEAN MONETARY SYSTEM: no change was seen in the EMS last week. The Irish punt remained at the top of the system and the Italian Lira at the bottom, but while the D-Mark continued to drift



along quietly there was no pressure on the EMS. Unless there is a major move out of the dollar and into the German currency this situation seems likely to continue for some time.

The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

JAPAN: Sixty of the largest companies pledged to increase imports in the current year by $5bn, a 5.6 per cent boost over last year, in order to help ease the mounting trade friction between Japan and the West. Page 3

RAJIV GANDHI, India's Prime Minister ended his visit to France announcing that "many" contracts with French companies "were in the pipeline."

WHEAT: a much-heralded sale of 1m tonnes by the U.S. to Algeria is not a deal but only an offer after all, the U.S. admitted. Page 3

ZURICH can build a new stock exchange. A weekend poll of the canton approved a motion to grant SwFr 24m ($9.3m) to replace the existing bourse.

NEW YORK STOCK EXCHANGE has warned Allis-Chalmers, the struggling U.S. farm equipment and industrial machinery group, that it might delist the company's share because it went ahead with a conversion of part of its debt to equity without seeking prior shareholder approval. Page 16

TORONTO DOMINION BANK of Canada is to buy out its European, Australian and Japanese partners in Euro-Pacific Finance Corporation, the Australian merchant bank. Page 16

A $500m leveraged buy-out of Ralston Purina's fast food chain, which was announced at the end of April, has collapsed because of a downturn in the U.S. economy. Page 16

ACTINOR, a Norwegian pharmaceutical-to-welding equiment-to-marine services group, is seeking to block Hafslund of Norway from acquiring more than half Actinor's 5.8m shares. Page 17

FERMENTA, the fast growing Swedish antibiotics and biotechnology group, is expected in the next few weeks to make a formal takeover bid for KabiVitrum, the state-owned pharmaceuticals group.

SHELL is to establish a marker price for UK liquefied petroleum gas, to try to avoid a disorderly market after the British National Oil Corporation is abolished this year. Page 4

Pressure on oil prices as demand continues to fall

BY DOMINIC LAWSON IN LONDON

OIL DEMAND has continued to fall sharply in the second quarter of this year, placing further pressure on oil prices and the Organisation of Petroleum Exporting Countries.

According to preliminary estimates published today by the International Energy Agency (IEA), oil consumption in the OECD countries in the second quarter is running about 2 per cent below that of the same quarter of 1984.

In the first quarter, for which the IEA has firmer figures, the agency puts demand at 35.8m barrels a day, down by 1.6 per cent on the same quarter of 1984. The agency now forecasts overall OECD oil demand this year at 34.4m b/d, down from 34.6m b/d in 1984.

Although the second quarter figures are distorted by the effects of the UK coal miner's strike, which increased oil demand last year, they indicate the growing difficulties faced by Opec as its ministers prepare for a key meeting on prices later this month.

Apart from weak demand, Opec faces competition from a rising supply of oil from the non-Opec world. The IEA expects non-Opec output to rise from 27.6m b/d in the first quarter of this year to 27.8m b/d in the current quarter and 28.4m b/d in the third quarter.

Most of this extra oil is coming from developing countries, which are as desperate as Opec to boost output. On Friday, China revealed that its crude oil exports in 1984 rose by 49 per cent to 22.1m tonnes.

Some consolation for Opec lies in the estimate by the IEA that there was an OECD stockbuild of about 200,000 barrels a day in the second quarter. But this follows a first quarter stock draw of about 2.1m b/d.

The IEA estimates that OECD companies hold stocks equivalent to only 74 days of forward consumption, the lowest level since IEA records began 10 years ago. But governments in the OECD hold stocks on land equivalent to 21 days of consumption, a record high.

As oil spot market prices fell sharply again towards the end of last week, Dr Subroto, the Opec president and Indonesian Oil Minister, insisted that Opec had no plans to cut its official prices, despite the organisation's decision to call a ministerial meeting in Geneva on June 30.

Sheikh Ahmed Zaki Yamani, the Saudi Arabian Oil Minister, however, is expected to tell this meeting that if Opec countries do not desist immediately from price discounting, particularly through barter deals, then Saudi Arabia will "go to the market" and sell its oil at whatever price it takes to enable the kingdom to meet its official Opec quota of 4.3m barrels a day.

Saudi Arabia is the only Opec member to insist on selling its crude at official Opec prices. As a result, its production has fallen to only 2.5m b/d – less than that of the UK.

At a meeting in Houston last month, the partners in the Arabian America Oil Company – Exxon, Chevron, Texaco and Mobil – warned Sheikh Yamani that unless he cuts his prices, Aramco would reduce its liftings to negligible levels. Initially Sheikh Yamani resisted these demands, but with Aramco purchases now down to 500,000 b/d from 1m b/d last month, Saudi Arabia's resistance appears finally to be cracking.

The official price of Arabian Heavy, at $26.50 a barrel, is now particularly out of line with a market no longer propped up by the miners' strike. The price of fuel oil is down to $125 a tonne, compared to a price of $170 a tonne in the last days of the strike. Arabian heavy is traded on the spot market a little more than $25 a barrel.

Sheikh Yamani has already called for a cut in Opec's official prices for heavy crudes, but this would meet strong opposition from the many light oil producers in Opec, particularly from Africa.

With Opec there is a gradual realisation that the whole pricing structure will have to be shifted downwards, although it is felt that such a step will not be possible in one meeting, and that a series of emer-

Continued on Page 14

Argentina plans $600m payment of arrears

BY PETER MONTAGNON IN BASLE

ARGENTINA plans to pay about $600m in overdue interest to its creditor banks this week after agreement on a new economic programme reached at the weekend with the International Monetary Fund.

The interest payment will substantially reduce arrears on public-sector debt service, now put at more than $1bn, and bring them back within the sensitive 90-day level, Sr Leopoldo Portnoy, deputy governor of Argentina's central bank, said in Basle.

A final decision on the amount Argentina will pay still rests on responses to its request for an immediate $450m bridging loan from the U.S. and other countries. Conclusion of the bridging loan is imminent, Sr Portnoy told the Financial Times.

Fears that the U.S. regulatory authorities would this week officially downgrade Argentina's foreign debt meanwhile receded at the weekend, after the news of the IMF agreement.

Bankers believe that the Federal Reserve Board is now prepared to be more lenient in its treatment of Argentine debt, although at least one other U.S. government agency repsonsible for supervising banks was still taking a hard line at the weekend.

Separately, the U.S. authorities are this week poised to declare Peru's $13.5bn foreign debt as officially "value-impaired," which will force U.S. banks to make loan-loss provisions.

News of Argentina's IMF agreement was greeted with relief by central bankers attending the monthly meeting of the Bank for International Settlements in Basle even though the new letter of intent still has to receive a final vetting from Mr Jacques de Larosiere, the IMF managing director, before being officially confirmed.

It should pave the way for a speedy conclusion of the $4.2bn loan Argentina has been seeking from commercial bank creditors, which now lacks just $40m in subscriptions.

Sr Portnoy said progress had also been made in dealing with the problem of Argentina's collapsed Banco de Italia, which has foreign debts of more than $250m. A decision to reopen the bank might be made as early as Thursday after depositors agreed to inject some $45m in new capital.

Much of the bank's foreign currency lending also carried a government exchange risk guarantee, which should allow most of its dollar liabilities effectively to be refinanced by the Argentine Government, he said.

The Argentine central banker has been lobbying his counterparts in Basle to drum up support for the bridging loan, but the basic decisions will be made by creditors' governments rather than central banks.

Already agreed last night in principle were contributions from the U.S., which is expected to put

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Wickes to pay $1bn for G & W consumer and industrial units

BY WILLIAM HALL IN NEW YORK

GULF & WESTERN Industries, the big U.S. conglomerate, has agreed to sell its consumer and industrial products operations for $1bn to Wickes, the Californian company which hit the headlines in 1982 as the biggest U.S. company to seek protection under Chapter 11 of the U.S. bankruptcy code.

Wickes, which emerged from bankruptcy earlier this year after a textbook turnround, will more than double in size as a result of the acquisition of a group of companies which include Kayser-Roth (apparel and hosiery), Simmons (bedding and home furnishings), A.P.S. (automotive parts distribution) and G & W manufacturing (automotive and electronic products).

Mr Sanford C. Sigoloff, Wickes chief executive, who masterminded one of the most dramatic turnrounds in U.S. corporate history, says that the acquisition will "allow an accelerated use of our $500m net operating loss carryforward, lessen our dependence on the housing cycle and provide an important area of new growth for the company."

Wickes, which has cut its workforce by close to a third to 28,000 since it filed for Chapter 11 in April 1982, will jump in size as a result of the deal. Last year it had pre-interest operating income of $66m on revenues of $3bn. The companies it is acquiring had revenues of $2.7bn and operating income of $200m. They also employ 45,000 people – more than 1½ times the staff at Wickes.

The sale also marks a significant move for Gulf & Western, which has been in the middle of a major corporate restructuring ever since the death in February 1983 of Mr Charles Bludhorn, the company's founder and chairman.

Mr Martin Davis, who succeeded Mr Bludhorn, has been selling much of G & W's sprawling empire, which has often attracted the interest of corporate predators like Mr Carl Lindner, Mr Carl Icahn and Mr Irwin Jacobs, all of whom at some time have acquired stakes in the company, which has led to speculation that G & W might be a takeover candidate.

With this latest sale, G&W will have sold $3bn in assets since it began its restructuring and Mr Davis said yesterday that the latest deal "substantially completes the company's restructuring programme."

This move is G&W's biggest divestment, accounting for more than two thirds of its workforce and about half its revenues. Over the last 18 months, G&W has invested more than $1bn in its publishing and information operations and become the largest book publisher in the world.

UK outlines package for EEC reforms

BY QUENTIN PEEL IN STRESA

BRITAIN is to put forward a package of firm proposals for the development of the EEC, including a binding commitment on member-states to consult each other on foreign policies, and an extension of majority voting to decisions currently requiring unanimity, at the forthcoming Community summit in Milan.

The British plan is to provide an alternative to the majority-backed move for a fully-fledged, inter-governmental conference to amend the Treaty of Rome, the founding treaty of the Community.

The proposals were outlined yesterday to EEC foreign ministers by Sir Geoffrey Howe, the British Foreign Secretary, at their informal meeting in Stresa, on the shores of Lake Maggiore.

They include:

- Formalisation of the present informal political co-operation process, with the establishment of a small secretariat in Brussels, and a binding commitment by heads of government to consult each other before launching foreign policy initiatives;
- Extension of political co-operation to include more security issues, while allowing neutral states such as Ireland to maintain reservations on any agreement;
- Measures to speed up EEC procedures through more majority voting, and agreement by heads of government to abstain rather than block difficult decisions;
- Acceleration of the programme to remove the remaining barriers to a genuine common market, to be completed by 1990, with special emphasis on areas such as financial services and the liberalisation of transport.

The British initiative is clearly designed to provide the EEC heads of governments meeting in Milan on June 28 and 29 with a practical alternative to the long, drawn out process of amending the Treaty of Rome. It recognises that the member-states cannot agree on whether to provide for a right of effective national veto on EEC decisions.

There was no immediate response to the British proposals because most other member-states are not ready to compromise their stated desire for an inter-governmental conference on Treaty revision.

The foreign ministers remain split on the idea of holding such a conference, as proposed by the Dooge Committee on institutional reform. Italy, Belgium, Luxembourg and the Netherlands are most enthusiastically in favour, while Britain, Denmark and Greece remain profoundly suspicious.

M Roland Dumas, the French Foreign Minister, refused to show his hand yesterday, insisting that his Government's position would be spelt out by President François Mitterrand when he meets Sig Bettino Craxi, the Italian Prime Minister, on June 13 in Florence.

M Jacques Delors, the President of the European Commission, maintained his support for a conference, but stressed that it would be counter-productive unless the heads of government spelt out clear instructions at the Milan summit. That prospect now looks increasingly unlikely.

The British proposals for Milan are by no means certain of total approval although British officials believe they could represent the acceptable compromise for all 10 member-states.

The plan for a formal secretariat for political co-operation, alongside the present secretariat to the Council of Ministers, while supported by most member-states, is strenuously opposed by M Delors and his Commission, who regard it as a source of potential future conflict.

Ireland, Denmark and Greece are all doubtful about extending such co-operation further into questions of security, in spite of the general agreement that proper defence issues, such as weapons procurement, would not be included.

More importantly, perhaps, those in favour of a full-scale conference stress the psychological importance of taking a new step towards the vague goal of "European Union", as urged by the European Parliament. They argue that the British practical proposals fail to answer that need.

Sig Giulio Andreotti, the Italian Foreign Minister and chairman of the meeting, insisted afterwards that the idea of a conference was very much alive. He said that neither France nor West Germany had withdrawn their support, and only Denmark and Greece were still flatly opposed.

Apart from the broad – ranging debate on the future of the Community and its institutions, the Milan summit will have specific proposals to consider on the completion of the internal Community common market, and the encouragement of a further research effort by all the member states into advanced technologies.

Chinese airline aims for a higher plane

By Robert Thomson in Peking

FLYING the Chinese airline, CAAC, is often air travel on a lower plane. So the airline's management, conscious of CAAC's reputation for lousy service, has launched a "good service drive."

The campaign to make the airline user-friendly includes awarding demerit points against rude or unhelpful staff. Ten demerit points will be awarded against ticket office staff who do not answer a telephone within three rings, and 20 points against baggage handlers who send passenger luggage to the wrong destination.

Staff who accumulate too many demerit points will have money deducted from their monthly wage, while those who perform well will be awarded merit points and receive a salary bonus. Guidelines have been introduced to educate staff on what is good and bad work.

"Stewardesses should respond to passengers with a smile and give appropriate services to the elderly, children, the sick and the handicapped. They should always be patient and polite," say the guidelines.

CAAC stands for Civil Aviation Administration of China, although disgruntled travellers have claimed that the initials really stand for "cannot arrange any cancellations." Last year, the airline, which has had a monopoly on air transport in China, carried 5.54m passengers, including an increasing number of international runs.

Foreign airline officials have been impressed by the improvement in CAAC's international services. Some staff on those routes have trained overseas, and the service is professional.

But there is much room for improvement on Chinese internal flights, and little room for passengers. There are just not enough tickets to go around, and foreign travellers here complain about spending hours and hours of their holiday time queueing in CAAC offices, only to find that the connecting flight they want to book is not available.

The ticket shortage has been part of the problem with customer service. Passengers who manage to buy tickets have been regarded as privileged, and seemingly not deserving of attention by the airline staff, who have acquired an impressive skill for ignoring passengers.

Part of the new keep-the-customer-satisfied drive is aimed at overcoming that studied ignorance. Staff are required to "give polite

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Barre, Chirac in row as Opposition holds unity rally

BY DAVID HOUSEGO IN PARIS

A MASS weekend rally of France's major opposition parties intended to celebrate their unity, *and reveal details* of the sweeping changes they propose, turned sour when M Raymond Barre, the former Prime Minister, reacted with unconcealed anger to remarks by M Jacques Chirac, the *leader of the neo-Gaullist RPR*, that implied that he was responsible for the divisions within the Opposition.

The "liberal convention," organised by former President Giscard d'Estaing as the penultimate stage in preparing a joint opposition platform for next March's parliamentary elections, was the first time that the three opposition leaders have appeared on the same public platform since 1981.

Wild cheering by several thousand opposition supporters who were present when the three mounted the rostrum together showed the depth of feeling among the rank and file that their leaders abandon quarrels that could compromise victory next year.

But in unexpectedly partisan remarks, M Chirac sought to embarrass M Barre by accusing him of bringing out into the open differences over economic policy and of making a "religious war" of his view that the Opposition should not take office while President Mitterrand remains.

M Giscard d'Estaing, in one of his strongest speeches since *stepping down as President* in 1981, sought to play the role of mediator and architect of the Opposition's policies.

The proposed changes, aimed at givig freer rein to competition and market forces in the *French economy*, range *from* lightening industry's tax burden to denationalisation and the creattion of an independent *Central Bank similar to* the Bundesbank.

The text adopted by the rally *does not commit the opposition* parties but is intended as the basis for a joint manifesto ad programme of government. M Barre believes that his opposition partners are being "demagogic and unrealistic" in their tax and spending proposals and could damage the cause of liberalism in France by pushing too fast on structural changes.

As outlined over the weekend, the Opposition is looking to public spending cuts of *FFr 40bn (£3.3bn)* a year—or an annual reduction equivalent to 1 per cent of GNP—over five years. Half of this would in the first year go to cutting the budget deficit and half to reducing taxes on business. Its economic calculations are based on a real expansion of GNP to 3 per cent a year compared with the current 1 per cent.

M Giscard d'Estaing said yesterday that all the banks and insurance companies should *be denationalised* in two years with the state *rapidly* shedding as well its holdings in publicity and information groups such as Havas. The conference working documents name 65 institutions to be denattionalised (not in*cluding Renault) over five years* which would realise FFr 60bn-FFr 80bn on the basis of the state still retaiing a 49 *per* cent stake.

The independence of the Bank of France (which currently worked under the authority of the Treasury) would be assured by a newly *named Credit Council*.

Howe gives Gibraltar hope on aid needs

By Joe Garcia in Gibraltar

SIR Geoffrey Howe, the UK Foreign Secretary, left Gibraltar on Saturday with a clear commitment to aid the Rock's £40m development programme. The plan was put before him at a one-hour meeting with Sir Joshua Hassan, the Chief Minister, and members of his Government.

The four-year plan seeks to strengthen the infrastructure, such as electricity and water, to allow for the expansion in tourist projects made possbibe by the full opening last *February* of the Spanish frontier. Improvements in the port, including the building of a cruise liner terminal, are also priority items.

The Government here hopes to secure about 50 per cent *of its financial needs from* the UK Government.

Sir Geoffrey, who spent less than 24 hours in Gibraltar, was heartened by the local Government's plans for the diversification of the economy and says *he will* consider Gibraltar's immediate aid requirements "carefully and sympathetically."

Britain has already made available £28m for the conversion, which started last *January, of the naval dock*-yard into a commercial ship-repair yard, together with £14m of guaranteed work on royal navy vessels. London and Madrid have agreed to promote co-operation between *Gibraltar and Spain* on a wide range of matters. For example, talks on tourism take place in Madrid on Friday.

The future use of the Gibraltar airfield is the subject *of discussions* between British and Spanish officials. Sir Geoffrey confirmed that increased commercial use for the benefit of both sides was an aim of policy.

Although used by commercial airlines, the airfield is run by the RAF and its military importance is such that *attempts by Spain to seek its* joint control are being warded off by the British.

At a commercial level, however, Britain is clearly eager to find a formula that would promote co-operation

Peres secures colonel's release

BY OUR MIDDLE EAST STAFF

A FRENCH colonel kidnapped in south Lebanon was released yesterday following intervention by Mr Shimon Peres, the Israeli Prime Minister.

The officer, Lt-Col Jean-Michel Bilendjan, had been taken hostage earlier in the day by the Israeli-controlled South *Lebanon Army*. He had been negotiating since last Friday with the SLA for the release of 21 Finnish soldiers.

The SLA had taken the Finns as a bargaining tool for the release of 11 of their men who fell into the hands of the rival Shi-ite Moslem Amal militia.

The SLA acknowledged that the seizure of Lt-Col Bilendjan had been a mistake. His release came after M Roland Dumas, the French External Relations Minister, informed Mr Peres of the incident. The French officer is a member of the UN peace-keeping force in south Lebanon.

A Finnish Government *official* said later it had received reassurances from Israel that its *hostages* would not be hurt. Three of the 24 Finns originally seized were freed late on Saturday evening in what the SLA described as a "goodwill gesture."

A statement issued yesterday after a Cabinet meeting in Jerusalem said that Israel would "do everything possible to ensure the safety and well-being of the soldiers."

Israel is opposed to the continuing presence of UN troops in the seven to 12-mile deep security corridor it has established in the south of Lebanon and which it wishes the SLA to control. Some Israeli troops have remained in the corridor *following the official withdrawal* from Lebanon last week.

The Lebanese Government, Syria and Amal are all demanding a total Israeli withdrawal and do not recognise a role for the SLA. They particularly insist on the SLA pulling out of the Jezzine, the Christian stronghold east of the port of Sidon.

Meanwhile Israel military authorities restricted media access to south Lebanon and barred journalists from reaching UN peacekeepers' headquarters to report on the detention of the Finnish troops.

The reporters were temporarily banned from visiting the headquarters of the UN Interim Force in Lebanon (Unifil) at Naqoura, just north of the *border, because of the* "mess" between Unifil and the SLA.

Inter-Arab disputes continued over the fighting in Beirut during which three Palestinian refugee camps were attacked by Amal and elements of the Sixth Brigade of the Lebanese Army.

The Palestine Liberation Organisation, headed by Mr Yassir *Arafat*, is calling for an Arab League commission of inquiry into what it alleges were massacres committed by the *Shi'ite militia*.

Mr Farouk al-Shara, the Syrian Foreign Minister, walked out of an Arab League committee meeting in Tunis on Saturday during a speech by Mr Arafat. Mr Farouk Kaddoumi, in effect the PLO's Foreign Minister, said Mr al-Shara opposed the inquiry "because we asked for those who are behind the events to be condemned."

Mrs Margaret Thatcher is con*sidering the possibility* of visiting Egypt and Jordan in September to assist the resumption of Middle East talks, writes Peter Riddell, Political Editor, in London.

Nothing definite has yet been agreed and Whitehall officials yesterday referred to a report about such a trip as speculative.

However, there appear to have been diplomatic discussions about such a trip in the *late summer. She has* not visited these countries since becoming *Prime Minister*, and the trip may also eventually include Israel.

There is no doubt that Mrs *Thatcher has recently become* much more personally interested in the Middle East and committed to King Hussein of Jordan's efforts to involve Palestinians in the negotiations.

Her possible visit may be presented as a development of this interest and support following her meetings in London in the past week with Mr Yitzhak Shamir, the Israeli Foreign Minister, with *King Hussein*, and with Mr George Shultz, the U.S. Secretary of State. She met President Mubarak of Egypt in London in the early spring.

China names Hong Kong leaders to key body

BY DAVID DODWELL IN HONG KONG

PEKING *has this weekend* made a significant move to ease the fears of Hong Kong *people* about their future, appointing to the Basic Law Drafting Committee—the group that will over the next five years prepare Hong Kong's post-1997 constitution—some of the territory's most widely respected figures.

In the Sino-British agreement on Hong Kong's future, ratified in Peking just two weeks ago, Peking promised that Hong Kong people would rule Hong Kong. Local people *anxious to* see *in* the appointments to the Basic Law Drafting Committee a signal of Peking's good faith on this issue, seemed genuinely *relieved yesterday when details* of the Hong Kong appointees leaked out.

Of 59 members on the committee, 23 are to come from Hong Kong—more than most local people would have forecast two months ago. *In addition*, few could be described as stooges of Peking. They include two members of Hong Kong's Legislative Council, Miss Maria Tam and Mr Wong Po-yan, Shipping magnate Sir Yue-Kong *Pao*, property *billionaire Mr Li* Kashing, the vice-chancellors of Hong Kong's two universities, the Anglican bishop of Hong Kong, and even the president of the Buddhist Association.

Critically, the Hong Kong group comprises a large number of barristers and *solicitors* who will have important skills in the drafting process. These include Mr Justice Simon *Li*, who was chosen by the British Government in autumn last year to oversee the work of the assessment office set up to guage public attitudes to the Sino-British agreement.

The Basic Law Drafting Committee is to be by *far* the most important body shaping Hong Kong's *future* under Chinese sovereignty. Its job will be to put flesh to the bones of the *Sino-British joint declaration*.

Chinese willingness to draft Hong Kong people onto the committee *is in stark contrast* with its reluctance to approve Britain's proposal to include Mr Eric Ho, who carries a Hong Kong passport, on the Joint *Liaison Group* which will oversee the transition period to 1997. Britain eventually won his inclusion, but only by granting Mr Ho full British citizenship.

Hong Kong membership of the Joint Liaison Group was leaked over the weekend to one of Hong Kong's two television stations. Chinese officials later confirmed the accuracy of the leak. The full list of members —including the 36 mainland Chinese members—will be unveiled this week during a special session of the Standing Committee of the National People's Congress.

U.S. general defends Star Wars feasibility

BY PETER MARSH

AN OPERATIONAL Star Wars *system to* defend the West from Soviet missiles would have an element of complexity no greater than that of the international telephone network, Lt Gen James Abrahamson, the head ofthe U.S. Strategic De*fence* Initiative organisation, said in London at the weekend.

The general, who admits to being in *charge* of "the world's most controversial programme," insists that the task to design a set of defensive hardwarde that with highly advanced computers would detect up to 10,000 Soviet warheads *in* flight and then de*stroy* them with weapons such as laser beams, is entirely manageable.

The general, a stauch believer in technological progress, is fond of quoting the Wright brothers as examples of people who led *the* way *into* technical achievements which would never nave been believed by sceptics.

"Technically, I think that we in the West are capable of doing just about anything."

The Defence Department aims to spend $26bn *(£20bn) on* the

Lt Gen Abrahamson: incredible progress

project by 1990, possibly in collaboration with other Nato nations.

Lt Gen Abrahamson, who at *one time trained for* two years oo be an astronaut, and later went on to become head of the U.S. *space shuttle* programme, insists that the U.S. seeks the involvement of *other* nations in Star Wars, *not just because* they can bring technical expertise.

He believes that only by in*volving* themselves in the project will other countries be in a position to make an informed *decision on whether to deploy* a working defensive system, when the research phase ends in the early 1990s.

At this stage, however, Lt Gen Abrahamson says he cannot say how much of the $26bn earmarked for the project would be handed out in research contracts to other nations.

He produced for the hundred-strong gathering in London on Friday evening, mainly members of the Conservative *Bow* Group and Lady Olga Maitland's Women and Families *for* Defence organisation, a series of folksy quips.

The general's main goal was to demonstrate what he calls the "incredible progress" made in the programme.

He outlined work on a number of diverse areas, such as a new generation of surveil*lance satellites to spot missiles in* flight, the development of "rail guns" which can shoot by an electro-magnetic mechanism projectiles at up to 40 kilometres a second, and the development of lasers that are intended to be so *accurate that a beam sent* from the top of a skyscraper in Los Angeles could knock out a pane of glass in another building in New York.

The general also said that next year the U.S. would start design work on a new generation of space launch vehicles that will, compared with the Space Shuttle, reduce the cost of taking payloads into orbit by 90 per cent.

According to the general, more than a half of all contracts so far placed by his organisation with *U.S.* companies and research institutions involve technologies that are unclassified.

Reagan set to qualify compliance with Salt II

By Reginald Dale, U.S. Editor, in Washington

PRESIDENT Ronald Reagan is expected to announce today that the *U.S. will remain in* "basic compliance" with the Salt II Strategic Arms Limitation Treaty after it expires at the end of this year. But he is likely to qualify strict U.S. adherence to the treaty with a policy of "*proportionate* responses" to alleged violations by the Soviet Union.

The decision, to which Mr Reagan was still putting the finishing touches yesterday, was widely seen in Washington as *a defeat for conservatives led* by Mr Caspar Weinberger, the Secretary of Defence, who had argued strongly that Washington should renounce the unratified 1979 treaty and ask Congress for increased funds for the U.S. strategic build-up.

The final outcome appears likely to be much closer to the position of Mr George Shultz, the Secretary of State, who has pressed for at least qualified compliance. Mr Shultz reported to Mr Reagan that the U.S.'s allies had also expressed strong support for continued adherence at the Nato ministerial meeting in Estoril on Thursday and Friday.

A senior Soviet official, however, yesterday said that the proposed U.S. policy of "proportionate responses" would be a step towards undermining the whole arms control process and would provoke a "very negative" reaction in Moscow. *Mr Georgi Arbatov*, a member of the Soviet Central Committee, and a leading expert on the U.S., said on American television that U.S.-Soviet relations were already "very bad" and at one of their lowest points in years.

The U.S. "responses" were expected to involve the dry-docking but not the destruction, of a Poseidon missile submarine to keep the U.S. within Salt II limits this autumn, and a renewed commitment to move forward with the development of the new, single warhead Midgetman mobile missile, in addition to the much-larger 10-warhead MX.

The U.S. has accused the Soviet Union of violating the treaty by testing two new types of land-based inter-continental missiles, the SSX-24 and the SSX-25, instead of the one allowed by the treaty. The Midgetman would represent the U.S.'s second type, although it will not be tested for several years.

Under the strict terms of the treaty, the U.S. should destroy older missile launchers to keep within the limits when a new 24-missile Trident submarine, the USS Alaska, starts sea trials in September. Putting the 16-missile Poseidon in dry dock would, in effect, delay a final decision as the U.S., under agreed *procedures*, would not have to dismantle the vessel's missile-launching system for another six months.

Neither of the U.S responses would constitute immediate treaty violations, possibly allow*ing time for further discussions* with Moscow about Soviet violations, U.S. officials said.

In making his announcement, however, Mr Reagan is expected to take an extremely tough line on Soviet violations, which also, according to Washington, include encoding of signals to impede U.S. monitoring of Soviet missile tests.

Officials said that he would stress that Soviet violations were a *threat to arms control* and explain that his own moves were "measured" responses that were not intended to smash the whole edifice of negotiated restraints.

Strauss attacks Kohl after attempt at peacemaking

BY RUPERT CORNWELL IN BONN

LESS THAN 48 hours after what was billed as a peacemaking session with Chancellor Helmut Kohl, Herr Franz-Josef Strauss the leader of the Bavarian CSU last night delivered further *angry* criticism of the Government here.

The two men had met for six hours on Friday, in an effort to chart an agreed new course for the centre-right coalition, after its devastating electoral setback in North Rhine Westphalia last month, and the subsequent squabbling between its members, the Chancellor's Christian Democrats (CDU), the CSU and the liberal Free Democrats (FDP).

But in an interview to appear in today's edition of the mass circulation Bild Zeitung, the Bavarian leader repeated his charges of confusion and failure in Bonn, and accused the Government of still being unable to grasp the size of the threat represented by the defeat in North Rhine Westphalia.

In particular, Herr Strauss reiterated his demand that the planned DM 20bn *(£5bn)* tax cuts package be pushed through all at once in 1986—despite assurances again at the weekend from Herr Kohl that it would be phased in next year and in 1988.

Italians go to polls in wage indexation referendum

BY JAMES BUXTON IN ROME

ITALIANS were going to the *polls yesterday for the second* time in a month to vote in a referendum on wage indexation.

The outcome of the referendum will be known this evening after polling stops this *afternoon on the second day* of voting.

Initial reports of the turnout suggested a slightly lower poll than the almost 90 per cent achieved in the local elections on May 12.

The referendum will decide whether wage earners covered by the Scala mobile indexation system will receive an extra L27,200 (£11) in monthly gross pay, and amounts they forfeited *last year when the Government* of Sig Bettino Craxi passed a law removing all index points from the Scala mobile as an anti-inflation measure.

It will also decide whether Sig Craxi, the Socialist Prime Minister, stays in office, since he has insisted that he will offer his resignation if the vote *goes against his Government's* action on wage indexation.

The referendum was sponsored by the opposition Communist Party, which sees it as a test of its power to protect the workers' wage packets.

Fresh violence breaks out in Gujarat capital

By K. K. Sharma in New Delhi

THE LAW and order situation in Ahmedabad, the riot-torn capital of Gujarat State in western India, deteriorated further yesterday when at least 14 more people were killed in clashes between Hindus and Muslims and in acts of arson.

The capital is under a round-the-clock curfew and army patrols have kept a vigil ever since the situation took a turn for the worse on Saturday. Gujarat has been in the *grip of a violent agitation* against reservation of jobs for underprivileged groups for more than three months.

In the troubled state of Punjab in north-west India, tension increased also in the holy Sikh city of Amritsar when militant extremists disturbed a convention held by moderates in the Akali Dal, the Sikh political party. A number of Sikhs were injured in clashes after militants shouted slogans asking for an independent Sikh nation.

Denktash tipped to win poll

FIRST returns in yesterday's Turkish Cypriot presidential election suggested that President Rauf Denktash would win an easy victory, possibly taking about 70 per cent of the votes, writes David Barchard in Ankara.

Mr Ozker Ozgur of the left wing Turkish Republican Party was trailing a poor second with 15 per cent. A record six candidates stood in the election, though Mr Denktash was not thought to be facing a facing a serious challenge.

The 94,000 strong electorate were voting for the second time in less than amonth. In May it approved the constitution for the *self proclaimed Turkish* Republic of northern Cyprus in a referendum.

The electorate will go to the polls again on June 23 when elections for the Turkish Cypriot assembly are due.

If Mr Dentash fails to win an outright victory, a second round would have to be held

Swedish employers chief steps down

Mr Claes-Ulrik Winberg, chairman of the Swedish Employers Federation (SAF), has temporarily stepped down from his post in the face of continuing investigations by the Swedish authorities into alleged illegal arms dealing by Bofors, the Swedish defence concern of which he was managing director until last *year, Kevin Done reports* from Stockholm.

Bofors, now part of Nobel Industries Sweden, the Swedish cemicals an civil explosives group, has been under investigation since late last year for alleged violations of Sweden's strict arms export controls.

Turkey leader accuses EEC of interference

BY DAVID BARCHARD IN ANKARA

THE TURKISH Prime Minister, Mr Turgut Ozal, has accused the European Community of *interfering* in Turkey's internal affairs.

His remarks followed a news paper interview in which Mr J. Gwyn Morgan, the Community's representative in Turkey, had said a draft Bill giving virtually unfettered *powers* to Turkey's police force would set relations between Turkey and the Community *back for half a decade* if it passed unamended.

The Bill—which is intended to give the police even wider powers than those *enjoyed* by the military through martial law—is described by the Prime Minister as a necessary step in getting martial law fully lifted.

All political parties have *criticised the Bill, including* members of Mr Ozal's own Motherland Party.

The Community made known its views on the Bill to the Turkish authorities after Mr Morgan was summoned to the Turkish *foreign ministry* on Saturday.

The Prime Minister said it was "imprudent" for the Community to comment on a piece of legislation which was before the Grand National Assembly.

Replying to local critics of the Bill, he said it would be a mistake to hold back extra powers from the police force *simply* because a *few innocent* people might "come under pressure." Turks are waiting to see whether President Kenan Evren will use his limited powers of veto.

Belgium reaps benefit of fall in interest rates

BY PAUL CHEESERIGHT IN BRUSSELS

DECLINING interest rates have given the Belgian Government a financial windfall equivalent to 1 per cent of Gross National Product, senior officials said.

The high liquidity of the domestic financial markets has *permitted the Government to* meet 80 per cent of its funding needs over the first five months of this year.

Financing the official debt and lowering the level of it have been fundamental aims of government policy. They have been behind an austerity policy initiated at the start of 1982 and still continuing.

But the officials noted that any expectation of further financial gain from interest rates would be excluded from calculations on the 1986 budget.

The national debt and the gross national product are roughly equal in value, the officials explained. But half of the debt is on short term. If interest rates fall two points, then the Government's charges reduce by an *amount* equivalent to 1 per cent of the gross national product, or BFr 46bn.

At the end of the first quarter, according to the Ministry of Finance, the public debt total stood at BFr 4639.8bn. The Government's net financing need for the first quarter was BFr 269.5bn.

Interest rates on the market *are the lowest of* this decade. Three months Treasury bonds which were at 12.25 per cent in March 1984 and at 10.7 per cent in February this year have since fallen to 9 per cent.

Crime turns to Puerto Rico to 'launder' money

By William Hall in New York

PUERTO RICO, acquired by the U.S. in 1898 after the Spanish-American war, is fast emerging as a major money "laundering" centre for U.S. organised crime, rivalling Miami, say U.S. law enforcement officials.

The scale of the "money laundering" activities in Puerto Rico was highlighted by the arrest last Thursday of 17 individuals, including a vice-chairman of the Federal Home Loan Bank of New York, a quasi-official agency which regulates savings and loans in New York, New Jersey and Puerto Rico, and several bankers including an official of Citibank's branch in Puerto Rico.

The U.S. Government has charged the 17 with conspiracy and failure properly to report large cash transactions. Banks are required *to file a statement* with the U.S. Internal Revenue Service for most cash transactions of $10,000 or more. The law is intended to stop drug dealers and others involved in organised crime—where large *amounts of cash change hands*—from using the banking system to conceal the source of their income.

OECD reports strong public support for pollution controls

Ian Hargreaves analyses world progress in protecting the environment

THE WORLD has made significant progress in tackling certain sources of pollution, but still faces a growing and costly *agenda of environmental issues* which the public wishes to see addressed.

This is the broad conclusion of a 269-page report* published today by the Organisation for Economic Co-operation and Development. *The survey* will be submitted to OECD environment ministers at a meeting in Paris later this month.

Entitled The State of the Environment, the report represents the most ambitious effort *in recent years to marshal facts* and background information about progress in tackling pollution and other environmental hazards in the developed world.

Although its main conclusions are couched in vague and politically neutral terms, it points to two central conclusions:

● That real progress has been made in reducing air pollution and other environmental problems, such as oil tanker spills, water quality and use of chemicals *such as DDT. These ad*vances, the report says, "have not been unduly costly. Only moderate consequences for overall prices and economic growth can be identified; and even positive ones for total employment in several countries."

A good deal of the reduction in pollution has been caused by the low down in economic growth and reduced oil use.

● That very large tasks remain for the future, in tackling new and potentially even more dangerous forms of pollution. This new generation of problems, the reports says, could *have "onerous financial* and economic consequences."

The report warns against the danger of transferring pollution problems from one medium to another, for example by extracting chemicals from gases, only to deposit them as sludge on land.

According to a series of *opinion* polls brought together in the report, there is strong public support for environment protection policies. Polls in the U.S., Europe, Japan and Finland found that only 28 per cent, 27 per cent, 11 per cent and 11 per cent respectively felt that economic growth should be given priority over preserving the environment. *This public commitment*, the report says, has not wavered during recent economic downturns.

In *reviewing* the controversial area of air pollution, which is currently the subject of keen controversy in *Europe* and North America over the acid rain question, the report says that on current trends pollution from nitrogen oxides, particulates and sulphur dioxide is likely to remain constant or even get worse.

"More rigorous implementation of existing pollution control legislation and the strengthening of standards and controls in some countries are necessary in order to counter *these less-than-satisfactory* conditions and perspectives," the report says.

Particular concern is expressed about deteriorating air quality in southern Europe but the report adds that urban *photochemical smog* "is merging as a large-scale problem of international significance."

The report avoids taking sides on the causes of acid rain—an issue which has divided governments in the developed world—but presents a large amount of previously published information about the acidification of lakes causing widespread fish deaths, and damage to forests and crops. Recent Japanese studies, it says, indicate that *acid rain and additional air pol*lution can reduce wheat and rice yields by as much as 30 per cent.

There are also new forms of pollution, whose effect is only beginning to be understood. The report suggests that trace pollutants such as toxic metals, fibres and organic compounds "are of concern in several countries because they may cause cancer, genetic changes and *birth deformities*.

"With the awareness of the number and variety of possible air pollutants, *a question of* high priority has emerged: what are the quantities involved and the effects of the total cumulative intake of pollution, not only from the air but also from drinking water and in food in *the course of our daily activities*?"

The report also examines *water pollution*, which it *says* has been threatened in some areas by the use of agricultural *fertilisers* and pesticides.

Other subjects dealt with in the report are noise, hazardous wastes, wild life protection, forests and the marine environment.

* *The state of the environment 1985. From OECD sales agents.*

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WORLD TRADE NEWS

U.S. admits Block was wrong about Algerian wheat 'sale'

BY NANCY DUNNE IN WASHINGTON

A MUCH-HERALDED sale of 1m tonnes of U.S. wheat to Algeria is not a deal after all but is simply an "offer," the U.S. Department of Agriculture has admitted.

The admission emerged late Friday when Agriculture Department officials conceded that Mr John Block, the Agriculture Secretary, was inaccurate in using the word "sale" to describe a proposal to offer 1m tonnes of subsidised wheat to Algeria.

Mr Block added to growing U.S.-EEC tensions over subsidised trade in agricultural goods last week when he told a Washington press conference that he was "here to announce the sale of wheat to Algeria."

He stressed that the arrangement was a *fait accompli* and added: "There will be more sales, and there will be more sales after that."

The move was undertaken in the face of the deepening recession affecting the U.S. farm sector and the steady loss of world market share by the U.S. to European competition, much of it, the U.S. claims, because of unfair subsidisation by the EEC of its farmers.

The news that the U.S. has no specific deal with Algeria will come as an embarrassment to Mr Block who meets in Paris this week with European agriculture ministers.

It is believed that Mr Block wanted to have some sort of negotiating weapon to wield at the meeting in his pursuit of international rules of order for the trading of agriculture commodities.

An official at the Algerian Embassy in Washington confirmed that the ambassador had spoken with Mr Block but that there had been no transaction.

However, Agriculture Department officials said that they are still determined to sell the 1m tonnes of non-durum wheat to Algeria, not matter the cost. Under pressure by Congress to do something about falling farm exports, they feel they must produce dramatic results under a new $2bn (£1.57bn) bonus export plan or Congress will impose an even broader, more expensive subsidy scheme through legislation, something the Reagan Administration is against.

U.S. steel companies file wire nails dumping suit

TEN U.S. steel companies last week filed an anti-dumping suit with the U.S. Government contending that nail manufacturers in China, Poland and Yugoslavia have injured the domestic industry by dumping steel wire nails, writes Nancy Dunne.

It was the latest in a series of steel cases against Communist countries and part of the industry's efforts to keep new importers from circumventing the informal steel quotas established by the Reagan Administration through bi-lateral arrangements.

The ten producers, including Continental Steel and Atlantic Steel and Wire, contend that "low destructive pricing" of imports from the three communist nations have been the major cause for "eneromus and gro•ing deficits." They say imports nearly doubled between 1982-84 when their share of the U.S. market declined. Domestic prices are now 10 per cent below their 1982 level, they say.

Dumping margins on Chinese steel wire nails' range from 55.4 per cent to 85.8 per cent, the producers say. On Polish products the margins are said to range from 78.2 per cent to 83.6 per cent, while the Yugoslavia nails are figured to have dumping markins of 91.5 per cent.

The compaanies are seeking anti-dumping duties.

Italy to lend China $40m for joint venture finance

BY ROBERT THOMSON IN PEKING

THE Italian Government is to provide China with $40m (£30.8m) in soft loans, and provide grants of a further $10m under four agreements signed here on Friday to finance Italian ventures in China.

Among the projects is a $90m joint venture with the Fiat group for tractor plants in Shanghai and Luoyang, in Henan Province, for which the Italian Government has agreed to loans of $30m and grants of $5m more.

The contracts were finalised by a visiting Italian delegation, headed by Mr Bruno Corti, vice-minister of foreign affairs, and Wang Pingq, the Chinese deputy minister of foreign economic relations.

Other projects receiving finance include a power transmission facility, which will receive $10m in loans, and a printing works, which will receive a grant of $2m, both in the Shanghai district.

The Fiat contract has been under negotiation since 1978, and will provide for tractors to be produced at the Shanghai and Luoyang factories under Fiat licence.

WORLD ECONOMIC INDICATORS

TRADE STATISTICS

		April '85	March '85	Feb. '85	April '84
UK £bn	Exports	6.896	6.828	6.915	5.360
	Imports	7.174	7.827	7.178	6.095
	Balance	−0.277	−0.999	−.0263	−0.735
U.S.$bn	Exports	17.779	18.446	17.853	17.520
	Imports	28.295	28.129	27.985	28.074
	Balance	−10.516	−9.683	−10.132	−10.554
Japan $bn	Exports	14.859	14.528	12.923	14.446
	Imports	11.401	11.342	10.556	11.337
	Balance	+3.258	+3.186	+2.367	+3.109
W. Germany DMbn	Exports	45.0	45.67	44.50	39.00
	Imports	39.5	40.61	39.18	35.87
	Balance	+5.5	+5.06	+5.32	+3.13
France FFr bn	Exports	77.60	79.40	75.90	66.01
	Imports	81.80	80.00	82.30	70.42
	Balance	−4.20	−0.60	−6.40	−4.41

Thomson and Smiths in air fighter link

By Paul Betts in Paris

THOMSON, the nationalised French defence and electronics group, has signed an agreement with Smith Industries of the UK and VDO Luftfahrtgerate Werk of West Germany to collaborate in the development of the avionic equipment for the cockpit of the proposed European fighter aircraft.

The French group has also begun discussions with a number of other major European companies to discuss collaboration for the development of the radar system for the new aircraft.

This is a key aspect of the aircraft development programme and Thomson officials claim it could represent up to 20 per cent of the development costs of the project.

The discussions on the radar system follow the selection by the five governments (France, Britain, West Germany, Italy and Spain) involved in the project of the companies they want to collaborate in developing the crucial radar system.

Apart from Thomson, the other companies are Ferranti in the UK, AEG-Telefunken in West Germany, FIAR in Italy and EESA in Spain. However, these companies have not been asked to collaborate on the aircraft's electronic counter measure system which includes warning detectors and jamming devices. This also represents a substantial percentage of the overall development costs of the project.

Thomson officials indicated that each country was developing its own counter measure system

In the case of the collaboration agreement between Thomson, Smiths and VDO to develop the cockpit avionics for the new aircraft, Thomson said the three companies would also offer Italian and Spanish companies the possibility of participating in the collaboration venture.

The future of the European fighter project remains uncertain, however, because of the failure so far of the various European countries to agree on specifications and work sharing.

Indonesia warns U.S. over textiles Bill

By Kieran Cooke in Jakarta

INDONESIA has warned of an outbreak of anti-U.S. feeling in the country if a Bill before Congress on restricting textile imports is passed.

Mr Frans Seda, the chairman of the Indonesian Textile Association, says that if the Bill becomes law it would cause a drop of more than 80 per cent in Indonesia's textile exports to the U.S. and result in massive lay-offs throughout the industry.

The U.S. Bill restricts textile imports to a maximum growth of 6 per cent a year, based on the 1980 imports from each major supplier country.

Indonesia says it will be hurt more than any other country if the Bill becomes law, due to the fact that in 1980 its exports to the U.S. were still very small whereas those of other major exporters, such as Taiwan, Hong Kong, South Korea and Singapore, were already high.

In 1984 Indonesian textile exports to the U.S. were worth $234.5m (£184.6m)—48 per cent of total textile exports.

Farm equipment group urges action on Third World protectionism

Massey aims blow at tariffs

BY CHRISTIAN TYLER, TRADE EDITOR

AN INDIAN farmer would have to pay £12,800 for a tractor costing £8,000 in Britain, according to Massey-Ferguson, the agricultural machinery maker.

The same tractor would cost his counterpart in Turkey £12,400 and in Brazil £10,400.

The discrepancy is due to the "unreasonably large" tariffs imposed by many developing countries on imported vehicles, says the company. By contrast, tractors built in those countries are often admitted into the European Community duty-free.

Massey-Ferguson, a Canadian owned company manufacturing in three European countries, France, Italy and Britain, complained about this "one-way trade," in evidence to the House of Lords select committee on overseas trade.

The committee is examining Britain's export prospects when North Sea oil revenues run out around the end of the century.

Massey accuses developing countries of a "triple foul" on their competitors in the richer nations.

Many of these countries, it says, acquired technology between 1955 and 1980, by means of joint ventures with companies in industrialised nations and licensing. They then borrowed extensively, especially during the recycling of petrodollars in the 1970s, to finance their expansion.

The next step was to erect trade barriers to protect these infant industries.

"Between 1955 and 1980, at least 12 countries representing over 1.2bn people closed their territories to imports of Massey-Ferguson products," the company says.

In effect, a quarter of the world marketplace was barred to the company.

Meanwhile, western governments were reducing tariffs by negotiation in the General Agreement on Tariffs and Trade (Gatt). Developing countries were granted the benefits of the generalised system of preferences (GSP), a concession that exempted many poor countries from paying tariff duties entirely.

The third "foul" Massey-Ferguson says, was committed when countries began threatening to default on the loans.

"The tragedy of this is that the savings of ordinary people are being used for these loans, and these are the very people who have suffered from unemployment largely brought about by the loss to Western industry of those markets."

If developing countries are not prepared to redress the balance, the company says, western governments should consider cancelling their GSP arrangements. If that fails, then tariffs should be raised to matching levels.

It is a government responsibility, the company says, to deal at the political level with protectionist countries. Unless that is done, British industry will continue to lose market share and unemployment will remain high, it says.

TARIFF ON AGRICULTURAL TRACTORS

Country	Tariff on goods from EEC	Tariff on goods into EEC	Country	Tariff on goods from EEC	Tariff on goods into EEC
India	60 per cent; plus import licence	zero	Mexico	30 per cent; import licence	zero
Turkey	55 per cent	zero	Romania	30 per cent	zero
S. Africa	40 per cent (zero if without engine)	10.9 per cent	Spain	17.3 per cent; plus quota restriction on smaller vehicles	4.3 per cent
Poland	35 per cent	10.9 per cent			
Brazil	30 per cent; plus import licence	zero	Yugoslavia	16 per cent	zero
Argentina	30 per cent; import licence subject to local manufctrs' agreement	10.9 per cent	Pakistan	15 per cent; import licence	zero

Note: EEC zero rating is under generalised system of preferences, subject to certain specifications. Turkey has zero-rating by special arrangement.

Source: Massey Ferguson

Japanese groups promise to raise imports

BY CARLA RAPOPORT IN TOKYO

SIXTY of Japan's largest companies have pledged to increase imports this year by $5bn (£3.9bn) a 5.5 per cent boost over last year, in order to help ease the mounting trade friction between Japan and the West.

The pledges, announced by Japan's Ministry of International Trade and Industry (Miti), are not likely to make much of a dent in Japan's trade surplus this year as exports are expected to rise by at least the same rate.

None the less, the pledges underline the increasing sense of importance being attached to import promotion by a number of Japanese government agencies and companies.

The 60 companies include some of the best known names in Japan, such as Toyota, Hitachi, Sony, Mitsubishi and Fujitsu, as well as a range of iron and steel companies, department store groups and trading companies.

More than 85 per cent of the $5bn increase was pledged by the trading companies, which are expected to rely heavily on non-manufactured goods, such as metals and other commodities, as opposed to manufactured goods.

Miti's figures show that total imports from the 60 companies are expected to reach $96.1bn this fiscal year from $91.1bn in the year ended last March.

It shows that the growth rate of expected imports by engineering and auto companies is the highest of the group, at about 18 per cent in total. These companies are notoriously low importers, however, so the improvement will boost total imports for these companies this year to only $5.1bn from $4.3bn last year.

Japan's leading department stores and supermarkets, according to Miti's figures, are set to boost sales of imported goods by 10.8 per cent this year, which is twice the rate of expected sales growth.

SHIPPING REPORT

Iran oil sales may boost Gulf rates

By Andrew Fisher, Shipping Correspondent

BUSINESS IN oil cargoes from the Iranian terminal of Sirri Island rose sharply last week, as the country embarked on a heavy selling programme. But activity began to tail off at the end of the week and rates were low.

E. A. Gibson, the London shipbroker, reckoned some 15 VLCCs and ULCCs (very large and ultra large crude carriers) were fixed from the Gulf to the West. Rates of only Worldscale 21/23 for VLCCs (over 200,000 deadweight tons) and Worldscale 18/19 for ULCCs (over 300,000 dwt) were obtained by owners.

But the business has cut the number of tankers in the Gulf, which could improve rates. Galbraith's estimated that at least 2.5m tons of crude oil were contracted from Sirri as Iran moved to clear supplies from the island.

This was because its shuttle programme to Sirri from Kharg Island, the big terminal nearer the mainland in the northern Gulf and in range of Iraqi fighter aircraft, had run into difficulties. Storage tanks on Sirri were full after the Iranians had held out for higher prices.

On bulk cargo markets, which last week saw more iron ore and grain activity, the recent continued weakness has led to a steady fall in second-hand ship values, with no let-up seen in the slide after the poor prices of past weeks.

The latest news from the hard-pressed UK industry of the decision by Reardon Smith, of Cardiff, to cease trading and the proposed restructuring of Common Brothers of Newcastle has highlighted the fraught state of world markets.

UK NEWS

Jason Crisp on the problems of the once mercurial microelectronics sector

High-tech fliers return to earth

BRITAIN'S high-flying young microelectronics entrepreneurs have returned to earth with a nasty bump. These new high-technology entrepreneurs – once the brightest and most mercurial part of the economy, the envy of other European countries and delight of the Government – are in trouble.

The collapse of confidence in Microfocus and the acute financial problems at Acorn and Sinclair Research provide growing evidence that this young and tender industry faces a crisis. The problems are a growing embarrassment to the Government which until recently could point to the remarkable success of the new, fast-growing companies in the sector.

While the Government still practices a hands-off approach to the private sector, the banks and civil servants were quick to forewarn Prime Minister Margaret Thatcher of the impending problems at Sinclair Research. She was said to be keen that everything possible should be done to help the company – by the private sector.

Sir Clive Sinclair, founder and chief executive of Sinclair Research is one of Britain's best known businessmen, both here and overseas. Knighted by the present Government, he is the ambassador of high-tech entrepreneurship and an important symbol for other budding companies. He epitomises this new breed by being strong on technology but weak on management. As Sir Clive himself admits: "I am not a manager and don't pretend to be one."

There is a widespread consensus that the greatest single problem facing the young high-technology companies is simply management experience.

The home computer industry provides vivid examples of poor management with late products, poor reliability and atrocious service and back-up appearing to be the norm. Both Sinclair and Acorn ran into trouble because they each had over £35m of unsold computers at the end of the peak Christmas selling period – enough to last to the autumn.

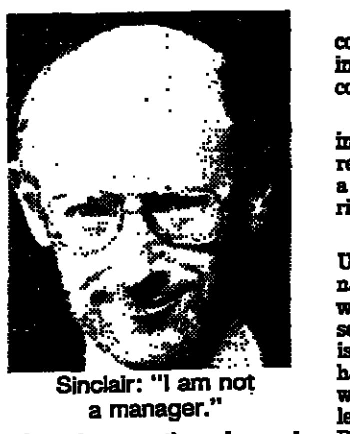
Mr Alan Sugar, chief executive at Amstrad, the established consumer electronics group which successfully entered the home computer market last year comments: "Some companies may have had great ideas during the boom but lacked the business expertise to manage when it faded."

The boom in high-tech entrepreneurs in Britain is almost unique in Europe but follows a well-worn path in the U.S. Their activities have spread far beyond the highly visible home computer sector and include business personal computers, software, peripherals and to a lesser extent telecommunications.

While the list of casualties has been high – Oric, Dragon, Tycom, Digico and many others – there are still a number of fast-growing British companies which do not have serious problems. These include Applied Computer Techniques, CASE, Rodime, Logica and CAP but most of these were founded more than 10 years ago. Areas like Cambridge and the M4 corridor are still producing yet more high-technology start-ups as they spin off from existing companies.

There are a number of reasons for the upsurge in high-technology entrepreneurship in Britain. These include the exceptionally strong demand for microcomputers, the greater availability of finance and a growing recognition by successive governments of the importance of the small firm sector.

Up to a point Britain has followed the U.S. experience, where many new fast growing companies such as personal computer makers Osborne and Victor Technologies have also failed. But as Mr Alex Reid, chairman of Acorn since its crisis began earlier this year comments: "The problems are much more visible here because there has only been a handful of companies like us which have grown to £100m turnovers in five years, whereas there are hundreds in the U.S."


Sinclair: "I am not a manager."

In addition Britain has had much shorter experience with young fast growing high-technology companies and with venture capital. "There is lots of money available, the limiting factor is management," says Mr Matthew Bullock, corporate finance director at Barclays, who has been one of the strongest supporters of Britain's high-technology companies

Many high-tech entrepreneurs appear to have little interest in the humdrum but essential matters of running a business such as sales meetings, monthly accounts and cash flow forecasts.

Yet fast growing companies need even tighter management than those expanding at an easier pace.

"Another point which many companies which take off with a great rush forget is that they must have follow-up products to sustain that growth. They also don't realise that their next trick is likely to be more mundane than the first, therefore they need two new products rather than one," says Mr Geoff Taylor, head of 3i Ventures, one of the leading UK venture capital companies.

Few of the new high-technology companies have used their success in Britain as a springboard to conquer world markets.

As the development of fast growing high-technology companies is a relatively new phenomenon there is a shortage of managers either experienced in growth or large concerns.

Mr Ronald Cohen, head of the UK arm of MMG Patricof, an international firm of venture capitalists which invested in Sinclair Research, explains: "Experienced British managers of around 40 do not have the capital base which they would in the U.S., where they pay less tax and have stock options. People in large businesses in the UK don't know anything about venture capital. They are also deterred by the stigmatism of failure in Britain."

The current highly visible crises at Sinclair Research and Acorn, together with the City of London's low opinion of the established electronics groups such as Plessey and STC, inevitably affects confidence in the high-technology sector. But few are willing to admit that the loss of confidence could mean that funds for the entrepreneurs will dry up.

But as Sir Clive Sinclair and his advisers comb the London financial markets and industry for new finance they will inevitably have a difficult task convincing a sceptical audience that there is still a future in the home computer industry. Although the British market appears weak there is still a view among retailers that it is not dead.

In spite of the optimism of those close to the high-technology industry there are signs that fund managers are becoming increasingly frightened of its volatile nature. When the previously high flying Microfocus reported a fall in profits, its shares collapsed by 420p to 325p in a single day.

Belfast shipyard to shed 470 jobs

By Our Belfast Correspondent

HARLAND and Wolff, the state-owned Belfast shipyard, is planning to shed 470 jobs in spite of an order book that will keep the company busy until 1988.

Negotiations have begun with the trade unions in an effort to win agreement on the proposal to shed 370 manual and 120 white-collar jobs.

That would bring the labour force to under 4,800, the lowest ever.

The company hopes to achieve the reduction as far as possible through voluntary redundancies and natural wastage.

The company said the cut was part of a continuing programme to reduce costs and increase the shipyard's competitiveness among world shipbuilders.

New shipbuilding techniques also meant that a number of skills were no longer needed.

The company said that Mr John Parker, chairman and chief executive, had always made clear that the order book would provide work for the vast majority of the labour force until 1988 but there would be a shortage of work for certain trades.

It said it had been reducing costs for 2½ years in order to improve general efficiency and reduce dependence on public money.

A key element of the corporate plan was flexibility. Next month it would tender for two new fleet auxiliary ships for the navy and would have to be totally efficient to win the order. Later this year it intended to recruit additional workers in specialist trades including electricians, joiners and sheet metal workers.

Mr Parker said recently that Harland and Wolff's order book was valued at £225m.

GM to supply Europe with car catalysers made at UK plant

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

GENERAL MOTORS, the world's largest automotive group, will use its plant at Southampton, south England, to supply Western European demand for catalytic converters, the car pollution control devices.

There will be a huge demand for catalysers after tough new emission control regulations for cars are imposed shortly by the European Commission.

At the very least they will be required for all new large cars – those with engines of over 2 litres – by 1988.

GM said at the weekend that it already had placed some machine tool orders for the Southampton project and expected the first prototype "cats" to be available early next year. Full output is scheduled for June 1986.

The Southampton plant, which employs over 500, is part of GM's AC Spark Plug division, the world's largest supplier of catalysers. It has built over 65m since 1974 when it set up production at Milwaukee, Wisconsin.

Johnson Matthey Chemicals is the major supplier of catalysts and equipment to GM in the U.S. and hopes that its factory at Royston in Hertfordshire, England, will supply the Southampton venture.

The Southampton plant's big customers will be GM's own subsidiaries, Opel in West Germany and Vauxhall in Britain. However, AC Spark Plug has already been working with Renault, Peugeot, Volvo, Fiat and Daimler-Benz (Mercedes) on catalysers.

Among the other European companies, Volkswagen does its own emission control work and is a competitor for GM in this field.

GM has for some time been testing cars with catalysers at high speed on the autobahn between Frankfurt and Basle because in the U.S. the speed limit is only 55 mph (88 kph).

AC Spark Plug is also represented in GM's Automotive Systems Engineering group which recently set up a £10m engineering centre at Bascharage, Luxembourg, and where potential customers for GM's "cats" can do some testing.

GM says that it is not yet possible to give an indication of the investment necessary at Southampton because to some extent it will depend on the rules to be fixed by the European Commission later this month and on how many customers, apart from Opel-Vauxhall, it can attract.

Shell to set price for LPG

By Dominic Lawson

SHELL is to establish a marker price for the UK's liquefied petroleum gas (LPG) in an attempt to avoid a disorderly market after the Government's decision to abolish the British National Oil Corporation (BNOC), which sets the price of LPG in the North Sea.

Shell intends to fix prices on a quarterly basis, exactly as BNOC has done over the years. Shell said that its prices would change "only when significant developments have occurred in the market place."

Mr Brian Sweeney, Shell's LPG manager, said that if such a plan were not attempted by at least one of the big oil companies, "there was a danger that the market could have become disorderly. There were some very uncomfortable scenarios, involving a loss of confidence in the market by customers."

Shell only decided on its action when it became clear over the past few weeks that the Oil and Pipelines Agency, the rump organisation that will replace BNOC, would not be involved in the LPG business. BNOC's LPG trading will cease at the end of this month.

The North Sea's LPG production is rising from 3m tonnes a year in 1983 to an estimated 5m tonnes in 1990. Shell produces about 800,000 tonnes a year, from its Brent, Cormorant, Dunlin and Fulmar fields. Further production will come from the developments of North Sea fields such as Clyde, Tern, Eider and the Gannet complex.

LPG is an important petrochemical feedstock and is extensively used in the heating of homes and factories. The demand for LPG in north-west Europe is expected to rise from 18m tonnes a year in 1983 to up to 22.5m tonnes a year by the end of the decade.

Shell said it would integrate the LPG production of any North Sea producer, however small, into its logistical network.

Shell's marker price, however, will differ crucially from BNOC's, in that it will vary slightly to take account of the extra costs involved in taking on very small streams from independent North Sea producers.

It is that which has given some impetus to the efforts of businesses such as Fielding Newson-Smith and County Bank to set up a North Sea co-operative that would aggregate and sell the crude oil and LPG of the smaller North Sea producers

Shell believes, however, that customers will find attractive its plans to establish a scheduled price for LPG at its terminal at Braefoot Bay and Sullom Voe in Shetland.

New campaign planned to save energy

By Our Energy Staff

THE DEPARTMENT of Energy is to spend up to £7m in an effort to boost the momentum of its drive to promote energy efficiency.

Less than a year ago the department appointed the advertising agency Doyle Dane Bernbach to put across the message that vast sums of money could be saved by using energy more efficiently.

Only nine months after the start of the campaign, based on the slogan "Lift a Finger," the department is casting around for a better way of selling the idea. Disappointed with the response to "Lift a Finger," the department has not invited the agency to re-submit for the lucrative contract.

Four leading advertising agencies, including Saatchi & Saatchi, have been asked to pitch for the account later this month.

Mr Peter Walker, the Energy Secretary, announced in April that 1986 would be Energy Efficiency Year – somewhat to the chagrin of the Department of Trade and Industry, which had already designated 1986 as Industry Year.

The successful advertising agency will run a campaign throughout Energy Efficiency Year and the department is hoping for a concept as powerful as the "Save It" campaign in the 1970s.

Company Notices

G.T. INVESTMENT FUND
Société Anonyme
Registered Office:
Luxembourg, 2 bld Royal
R.C. Luxembourg B-7443

Shareholders are hereby convened to
THE ANNUAL GENERAL MEETING
of Shareholders of G.T. INVESTMENT FUND to be held at its registered office at Luxembourg, 2, boulevard Royal, on Friday, June 21st 1985 at 10 a.m. for the purpose of considering and voting upon the following agenda:

1. To hear and accept the Reports of:
   (a) The Directors
   (b) The Statutory Auditor
2. To approve the Report of the Directors for the year ended 31st December 1984 including the Statement of Net Assets as at 31st December 1984 and Statement of Operations for the year ended 31st December 1984;
3. To discharge the Directors and the Statutory Auditor with respect of their performance of duties from 1st January 1984 to 31st December 1984;
4. To elect Directors to serve until the next Annual General Meeting of shareholders;
5. To elect a Statutory Auditor to serve until the next Annual General Meeting of Shareholders;
6. To approve the declaration of a dividend of $0.10 per share to be payable on 28th June 1985 to registered and bearer shareholders at the close of business on 21st June 1985 and that the shares be traded ex-dividend after 21st June 1985;
7. Other business.

Resolutions on the agenda of the Ordinary General Meeting will require no quorum and will be adopted if voted by the majority of the shareholders present or represented.

In order to take part at the Meeting of June 21st, 1985 the owners of bearer shares will have to deposit their shares five clear days before the meeting with one of the following banks who are authorized to receive the shares on deposit:

— Banque Internationale à Luxembourg S.A.
2, boulevard Royal—Luxembourg
— Credit Industriel et Commercial
66, rue de la Victoire—75009 Paris
— Banca della Svizzera Italiana
2 Via M. Magatti—6900 Lugano
— Bayerische Vereinsbank A.G.
Kardinal-Faulhaber-Strasse, 14—8000 Munich 2

THE BOARD OF DIRECTORS

SCI/TECH
Société Anonyme
Registered Office:
2, boulevard Royal, Luxembourg
R.C. Luxembourg B-20056

Shareholders are hereby convened to the
ANNUAL GENERAL MEETING
of shareholders of SCI/TECH S.A. to be held at the head office of Banque Internationale à Luxembourg, Société Anonyme, 2, boulevard Royal, Luxembourg, on June 28th, 1985 at 3.00 p.m. with the following agenda:

1. Submittal of the reports of the Board of Directors and of the Statutory Auditor.
2. Approval of the Balance Sheet and of the Profit and Loss Statements as at March 31st, 1985; appropriation of the profits.
3. Discharge of the Directors and of the Statutory Auditor.
4. Ratification of the co-option of a director.
5. Receipt of and action on nomination of the Directors and of the Statutory Auditor.
6. Miscellaneous.

The shareholders are advised that no quorum is required for the items of the agenda of the annual general meeting and that decisions will be taken at the simple majority of the shares present or represented at the meeting with the restriction that no shareholder, neither by himself nor by proxy, may vote for a number of shares in excess of one-fifth of the outstanding shares or two-fifths of the shares present or represented at the meeting.

In order to attend the meeting of June 28th, 1985 the owners of bearer shares will have to deposit their shares five clear days before the meeting at the registered office of the Company or with the following banks:

—Banque Internationale à Luxembourg S.A.
2, boulevard Royal
Luxembourg
—Bank Mees & Hope N.V.
Herengracht, 548
NL—Amsterdam
—Lombard Odier & Cie
11, rue de la Corraterie
CH—1204 Geneva

THE BOARD OF DIRECTORS

ENSO GUTZEIT OSAKEYHTIO
8% 1973/1988 FFr 100,000,000

Notice is hereby given to Bondholders of the above loan that the amount redeemable on July 16, 1985, i.e. FF 14.000.000 was bought in the market.

Amount outstanding: FF 42.000.000.

The Fiscal Agent
KREDIETBANK
SA Luxembourgeoise

Luxembourg
June 10, 1985

Ireland
£100,000,000
Floating Rate Notes
1996

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the three months period 6th June, 1985 to 6th September, 1985 has been fixed at 12⅝ per cent per annum. Coupon No. 3 will therefore be payable at £1,591.10 per coupon from 6th September, 1985.

Samuel Montagu & Co. Limited
Agent Bank

THE SUPERVISORY DIRECTORS OF THE
TRUST MAATSCHAPPIJ CURACAO 1 B.V.
(formerly N.V.)
at AMSTERDAM

will convene a Meeting of their Holders of Certificates in the Hilton Hotel, Apollolaan 138, Amsterdam, on June 26th, 1985 at 10.30 a.m.
To be entitled to attend this meeting, Holders of Certificates are required to deposit their warrants of certificates by June 19th, 1985 with Bank Mees & Hope NV, Amsterdam.

THE SUPERVISORY DIRECTORS OF THE
TRUST MAATSCHAPPIJ CURACAO 11 B.V.
(formerly N.V.)
at AMSTERDAM

will convene a Meeting of their Holders of Certificates in the Hilton Hotel, Apollolaan 138, Amsterdam, on June 26th, 1985 at 10.30 a.m.
To be entitled to attend this meeting, Holders of Certificates are required to deposit their warrants of certificates by June 19th, 1985 with Bank Mees & Hope NV, Amsterdam.

Clubs

BCal to sell off two Airbuses and cancel order

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITISH CALEDONIAN, the independent airline, is to sell its two Airbus A-310 medium range jet airliners, and has cancelled an outstanding order for a third aircraft, as a result of a reappraisal of its long-term needs.

Mr David Coltman, managing director, said over the weekend that, as a result of changes in its route network, the priority in the BCal fleet for the future would be for long-haul aircraft, such as Boeing 747s and McDonnell Douglas DC-10s, and short-range aircraft such as the Airbus A-320. The need for medium-range jets such as the A-310s was diminishing.

BCal recently took over the former British Airways long-haul routes to the Middle East, under the government arranged route-swap as part of the Civil Aviation policy review. In return, British Airways was given BCal's South American routes.

BCal is seeking additional long-haul routes, such as to Tokyo and Osaka in Japan, and Seoul in South Korea, under the Government's "dual designation" plan to put other UK airlines on to selected long distance routes to compete with British Airways.

BCal has also recently expanded its U.S. routes, with a service to New York. All these actual and potential operations require long-haul jets and it is probable that BCal will acquire at least one further Boeing 747 jumbo and another McDonnell Douglas DC-10 in the near future.

BCal's African routes where the A-310s have been primarily used, are much less busy than they were. Business has declined on some of them such as Tripoli in Libya, while on others, such as Lagos in Nigeria, the traffic demand justifies the use of bigger aircraft such as 747s or DC-10s rather than the medium-range A-310s.

The airline still sees a big future for the smaller A-320 150-seater short range aircraft in Europe, however, where it is planning a major expansion in the immediate future in line with the Government's policy to encourage greater competition on short-haul air routes between British airlines.

The £169m fleet of seven A-320s now on order for BCal for delivery in the late 1980s, together with an option on two more such aircraft, still stands.

The airline said that its discussions with Airbus Industrie on the disposal of the two A-310s are amicable, and such is the demand for that aircraft from other airlines that it is expected to have no difficulty in disposing of them.

Key unions may lose political fund votes

By Philip Bassett

LABOUR leaders have identified a number of key unions as being at risk of losing the ballots required by the Government to maintain their political funds – the Labour Party's main means of financial support.

In the wake of ballots in favour by the print union Sogat '82, the steelworkers and furniture makers, Labour and union leaders are publicly hopeful of similar results in 37 other unions still to ballot.

Privately, they are acknowledging as causes for concern a number of important unions – including the Amalgamated Union of Engineering Workers, General Municipal and Boilermakers, National Graphical Association and the white collar ASTMS.

Doubts have been raised about some of these unions before, based on the number of members who now pay the unions' political levy. The new fears of Labour and union leaders are based upon doubts about the level of "grassroots" organisation for the forthcoming ballots.

They point to two factors in all three ballots so far: the unions involved were based on tight, single industries and organisation in these unions is generally good.

STUDY QUESTIONS VIABILITY OF TUNNEL

Ferry operators warned over Channel link

BY ANDREW FISHER, SHIPPING CORRESPONDENT

FERRY COMPANIES in the £800m cross-Channel market will suffer if a tunnel is built, even if the project is not financially viable, stockbroking firm Phillips & Drew said in its latest shipping review.

If the fixed link cannot compete with ferries without state help, "the operator will go out of business." But this would lead to a distress sale of the tunnel to another group or government body, "which, with lower capital costs, would be able to compete."

Since it will take about seven years for a fixed link between England and France to be built, companies like European Ferries (owner of the Townsend Thoresen fleet) and Sealink UK would have plenty of time to sell or move their ships.

A tunnel, shipping analyst Mr Richard Hannah wrote in the review, "is virtually certain to take a very substantial market share away from the ferry operators." A final decision on a fixed link is expected later this year.

The first action of the ferry owners would be to leave the marginal regional routes and concentrate on Dover-Calais, leading to a significant shift of traffic through Kent. Of last year's £800m or so of ferry revenues, including those of Sealink's continental European partners, nearly £500m came via Dover.

European Ferries, now enlarging its ships on the Dover to Zeebrugge route, plans to order two big ferries for the service to Calais. By the time a tunnel is built, this £70m investment will have paid for itself, Mr Ken Siddle, chairman, said last month.

When a tunnel is ready, say in 1993, the market served by the ferries could have grown to £1.1bn, Phillips & Drew said. With the high risk of such a project, "a return on capital of at least 20 per cent would be necessary to provide an adequate return on the venture capital."

This, Mr Hannah estimated, would require a trading profit of £800m a year for the Channel Tunnel Group's roll-on/roll-off rail scheme and £1.8bn for the more ambitious bridge and tunnel link proposed by the Euroroute consortium and combining rail and road traffic.

But these figures compared unfavourably with revenues likely to be available on completion. In the case of Euroroute, the market would have to grow by more than 80 per cent – on top of the basic 5 per cent annual growth assumption – and the tunnel would have to capture all Dover's traffic.

The Euroroute scheme, whose backers include Trafalgar House, British Shipbuilders, and British Steel, would cost some £4.5bn, take an estimated 6.5 years to build and generate a real return of 8 per cent, the consortium reckons, if it is allowed to operate the link for over 50 years.

The Channel Tunnel Group, including such UK construction concerns as Taylor Woodrow, Wimpey, and Costain, has put the cost of its more modest twin-bore rail tunnel at £2bn. Both figures are in 1983 prices.

But by the time the project is completed, the book costs would have doubled, assuming steady inflation of 5 per cent and a 12 per cent interest rate. Thus the Channel Tunnel Group scheme would eventually total £4.1bn and that of Euroroute £9bn.

As for the actual advantages of a tunnel, Mr Hannah thought these would be small. Time savings would not be large and the market would have to grow hugely to make Euroroute viable. Also, fewer people would be employed in the Channel transit business, though there would be short-term jobs in construction.

Legislation planned for state sales and greater competition

BY PETER RIDDELL, POLITICAL EDITOR

FURTHER large-scale privatisation and increased competition will be the central themes of the Government's legislative programme for the 1985-86 session of parliament.

The broad outlines of this November's Queen's Speech to parliament should be finalised by the Cabinet this Thursday, after lengthy and heated discussions about how many controversial measures should be included.

Following the decision to exclude bills on ending residential rent controls and on animal rights, the main items in the Queen's Speech are likely to be:

- The privatisation of the British Gas Corporation.
- A financial services bill on investor protection and to provide statutory backing for the new City of London regulatory structure.
- The extension of building societies' rights to act as estate agents, to offer broking services and to be agents for shares and other investment.
- A civil aviation Bill to permit the privatisation of the British Airports Authority and to enact other changes in airports policy announced last Wednesday.
- A major Bill to change the structure of the social security and pensions system.
- The ending of restrictions on shop opening hours.
- A shake-up of the law on copyright and related matters of intellectual property including a levy on blank audio and video tapes.
- An extensive reform of the law on public order, covering police powers at demonstrations and marches, together with a separate updating of the criminal justice law on length of sentences.

In addition, there is almost certain to be a further employment Bill. This will include, as a minimum, the radical reform of wages council, and possibly their abolition, depending on the outcome of a Cabinet debate now under way.

During a television interview yesterday, Mrs Margaret Thatcher, the Prime Minister, said there was "some more work" to be done in relation to trade unions.

The Cabinet argument on the Queen's Speech has not been about whether the programme should be radical, but rather about whether it is in danger of being overloaded with too many contentious proposals which might increase the Government's unpopularity in a sensitive pre-election period.

Building societies welcome new role

BY GEORGE GRAHAM

BUILDING societies have welcomed the promise of government legislation this autumn which will allow them to spread their activities beyond their traditional role in the savings and home loan markets.

"We are very encouraged and delighted by the proposals," commented the Halifax, the UK's largest building society with assets of over £20bn.

Building societies are to be allowed to widen their banking services and expand into insurance broking, estate agency and selling shares.

Few anticipate taking immediate advantage of the full range of powers envisaged by the Government. There will be no queue of building societies wanting to change their structure from mutual organisations to public limited companies.

"We are very happy with the prospect of having wider powers," said Mr Tim Melville-Ross, chief general manager of the Nationwide. "We have been finding ourselves competing with one hand tied behind our backs."

Building societies have faced particularly sharp competition in the savings market from banks, Mr Melville-Ross said, and his society would be able to attract savers' money more cheaply if he were able to offer a chequebook facility with savings accounts.

He also welcomed the chance to "provide access to the services of stock exchange members and other bodies authorised under the forthcoming financial services legislation." It would allow building societies to offer their customers a full spread of investments, including possibly unit trusts.

Several societies welcomed the opportunity to extend their insurance broking activities. "We see insurance broking as an attractive area for building society operations," said the Anglia.

Mr Peter Clough, a general manager of the National & Provincial, commented: "We are doing a tremendous amount of insurance already, not only in insurance of properties but in life insurance too. But I don't really see us selling car insurance."

One sector which building societies will not be allowed to enter immediately is conveyancing – the legal transfer of property ownership. The Woolwich described this as "quite a disappointment to us." The Halifax said: "We do consider it rather negative and unhelpful."

But the Nationwide said: "We are emphatically not interested in conveyancing." The National & Provincial said that the society would certainly not be the first to move into in-house conveyancing.

Scottish finance sector urged to promote itself

BY MARK MEREDITH IN EDINBURGH

SCOTLAND'S investment management services should study ways of co-operative sales promotion as the markets for financial services become liberalised, according to a new study.

The Scottish Council, Development and Industry – an independent lobby group with members from public and private sectors – in a discussion document on the marketing of financial services, suggests research into business opportunities arising from deregulation.

The council's study has grown out of concern in Scotland about the impact on its financial community of the radical changes in financial services in the City of London, especially the formation of large conglomerates offering a wide range of services.

The study notes that there are nearly 240 financial sector companies in Scotland, covering all aspects of banking, insurance, fund management and financial services.

The sector employs 68,600 – larger than the total labour forces for steel, coal and shipbuilding in Scotland. In terms of the Scottish economy, the financial sector accounts for about 10 per cent of gross domestic product.

Prospects for Scotland's financial services have been changed by the advancement of telecommunications which bring them closer to markets, the study finds. The reorganisation of the financial sector in London would mean that some clients would seek the independence and specialisation of institutions in Scotland.

Action promised on hazardous waste disposal

By Lisa Wood

URGENT action is to be taken by the Government to achieve higher standards of disposal of dangerous wastes such as asbestos, acids and chlorine.

This follows the first report of the Hazardous Waste Inspectorate, set up in 1983 to examine the management of hazardous waste in England and Wales where some 4.4m tonnes of hazardous wastes are disposed of annually. About 85 per cent of this is put in the ground.

Mr Patrick Jenkin, the Environment Secretary, said the report called for prompt action on the part of all concerned. Within the next few weeks the Government would meet with local authorities, which license disposal sites, and the industry.

INSURANCE

Life groups treat golden offer with caution

BY ERIC SHORT

LAST MONDAY Mr Norman Fowler, the Social Services Secretary, unveiled the long-awaited plans for the future of social security in the UK.

For life companies, it was well worth the wait, for the Green Paper offers them a golden future for new pensions business.

The proposals centre around the philosophy of Mrs Thatcher, the Prime Minister, that people should, as far as possible, stand on their own feet.

Accordingly, it is proposed that the State Earnings-Related Pension Scheme (Serps) should be ended, though there is a long phase-out period. In future the pension provision by the State will be limited to the flat rate basic pension only.

Serps is to be replaced by private sector pension provision. All employers will be obliged to set up company pension arrangements. But employees will individually have the right to opt out of their employer's pension scheme and take out their own personal pension, a cherished ambition of this Government.

The minimum requirements of these compulsory employer schemes and the personal pension contracts are simple. The minimum contribution will be 4 per cent of earnings of which the employer must contribute at least half.

Both schemes will be based on the money purchase or defined contribution principle. The contributions paid are invested in exempt funds and the individual's accumulated value at retirement used to buy an annuity.

Life companies are well established in the company pension field, particularly for small schemes. There are, at present, some 12m employees not in a company scheme, most of whom work for small companies.

These employers are not likely to go to the trouble of setting up their own self-administered scheme, though there is nothing to stop them doing so. They will probably turn to a financial institution that can offer them a ready-made or tailored pension package. Life companies already provide this service.

Life companies have a monopoly in marketing individual pension arrangements, though the proposals envisage this monopoly being ended. Again, they have contracts on the shelf to market to employees who want their own personal pension.

The Green Paper estimates that by 1990, when its proposals will be fully operative, there will be a minimum of £1½bn of annual contributions available in place of Serps. Wood Mackenzie, a stockbroker, put the figure at £2bn.

The ending of the life company monopoly could at first sight put a damper on these expectations. But life companies have other inbuilt advantages over potential competitors such as banks, building societies and unit trust companies.

The pension schemes will have to be marketed. There will still be a need for expert sales people to explain the ramifications of the new system. The money purchase principle may be straightforward, but the benefit structure looks very complicated.

Life companies, through registered insurance brokers, other independent intermediaries and direct sales forces already have the marketing outlets in place. The licencing proposals under the investor protection plans mean that anyone selling pensions will have to have passed a test of competence.

Second, these pensions will need complex administration systems to back up the marketing. Life companies have considerable experience in designing such systems.

Finally, while other institutions can provide the main savings element, only life companies can provide the necessary protection element.

The proposals will require all married employees to provide widows' or widowers' pensions both in the event of death while the employee is working, or in retirement.

This means that contingent life assurance cover has to be provided and only life companies can do this. In addition, only life companies can provide annuities, since this also involves a life underwriting risk.

The other financial institutions could make arrangements for tie-ups with life companies with the latter providing some type of block insurance to go alongside a savings contract. But many employers will prefer everything to be contained in one package.

So why are many of the life companies, particularly the established ones, less than 100 per cent enthusiastic about the proposals?

The answer lies in the political element involved in the Government's action.

The Green Paper proposals overthrow the political consensus that backed the 1975 Social Security Pensions Act which brought in Serps. The proposals ends this consensus and this time Mr Fowler made no attempt to deny this.

Labour has pledged to restore Serps as soon as possible after it is returned to power. This could be only a few months after the new scheme starts. Pensions will once again become a political football with each change of government upsetting its predecessor's arrangements.

Life companies will have to invest substantial sums of money in modifying marketing, products and administration systems, with the possibility of having to unscramble everything shortly after.

On the other hand, they cannot afford to wait for the result of the next election. If the present government is returned to power, a company that is not established when the scheme starts will find it difficult to break into the market.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
City & Commercial Inv. Tst., 11, Devonshire Square EC. 12.00
Clive Discount Hldgs., 1, Royal Exchange Avenue, EC. 12.10
Exco Intnl., Merchant Taylors Hall, 30, Threadneedle Street, EC. 11.30
Markheath Securities, Markheath House, 1238, High Road, Whetstone, N. 2.30
PSM Intnl., Mount Hotel, Mount Road, Tettenhall Wood, Wolverhampton. 12.00
Perry (Harold) Motors Savoy Hotel, WC. 12.00

BOARD MEETINGS—
Finals:
Amershal Intnl
Blyvooruitzicht Gold Mng
Caffyns
Electrocomponents
Elec Rentals
F and C Alliance Inv
Hazlewood Foods
Prop and Reversionary Invs
Southwest Resources
Interims:
Carrs Milling Inds
Durban Roodepoort Deep
E Rand Propy Mines
Hardanger Props

DIVIDEND & INTEREST PAYMENTS—
Allied Corp. 45cts
Allied Irish Banks Fltg. Rate Nts. 1995 $496.08
Atlantic Computers 1.5p
Barnes Grp. 20cts
Biddle Hldgs. 7.6p
Dart & Kraft 1.17cts
Dun & Bradstreet 55cts
Eastern Produce 7.5p
General Motors 1.25cts
Grace (W.R.) 70cts
House of Lerose 5p
Houston Inds. 66cts
Keppel Shipyard 0.07cts
Ladbroke Grp. 5.523p
Laird Grp. 3.2p
Lockheed Corp. 20cts
M. & G. Japan Smaller Companies Fd. 0.21p
Mobil Corp. 55cts
RMC Grp. 8.6p
Rockwell Intnl. 28cts
Scott Paper 31cts
Signal Companies 25cts
Squibb Corp. 44cts
Sun Co. 57.5cts
Tharsis Company 3p
Travellers Corp. 51cts
Utd. Technologies 35cts
Warner-Lambert 37cts

TOMORROW

COMPANY MEETINGS—
Barham Group, Durrants Hotel, George Street, W. 11.30
Brixton Estate, 22-24, Ely Place, EC. 12.00
Combined English Stores, Inn on the Park, Hamilton Place, Park Lane, W. 12.00
Davies & Newman Hldgs., Winchester House, 100, Old Broad Street, EC. 12.00
Farmer (S. W.), Courthill Road, Lewisham, SE. 12.00
Law Debenture Corp., Estates House, 66, Gresham Street, EC. 10.30
London & Continental Advertising Hldgs., Institute of Directors, 116, Pall Mall, SW. 11.30
Pentos, Browns Hotel, Dover Street, W. 12.00
Rooner, 140, Coniscliffe Road, Darlington 12.30
Smallshaw (R.) (Knitwear), Druid Street, Hinckley, Leics. 12.00
Tarmac, Hyde Park Hotel, Knightsbridge, SW. 12.00
Finals:

BOARD MEETINGS
Argyll Grp
Charterhouse J. Rothschild Pacific Inv Tst
Deelkraal Gold Mng
Doornfontein Gold Mng
Driefontein Consd
E Midland Allied Press
Geevor Tin Mines
Globe Inv Tst
Kloof Gold Mng
Libanon Gold Mng
Locker (Thomas)
Metal Box
Osborne and Little
Parkdale
Premier Consd Oilfields
Regalian Props
Sims Catering Butchers
Std Fireworks
Venterspost Gold Mng
Vlakfontein Gold Mng
Interims:
Guinness
London and Clydeside
Microgen
Plaxtons (G.B.)

DIVIDEND & INTEREST PAYMENTS—
Bankers Tst. New York Fltg. Rate Subord. Nts. 2000 $250.76
Jitra Rubber Plantations 0.55p
London County 5½pc 1985-87 2¾pc
Lucas Inds. 2.6p
SKF AB B SKr 7. C SKr 10
Sun Life Assurance Society 12p
Tenneco Inc. 73cts

WEDNESDAY JUNE 12

COMPANY MEETINGS—
Blockleys, Buckatree Hall Hotel, Ercall Lane, Wellington, Telford. 12.00
Braime (T. F. & J. H.), Hunslet Road, Leeds. 3.15
Brewmaker, White Horse Hotel, The Square, Romsey, Hants. 11.00
Brunton (Musselburgh), Musselburgh. 12.00
Clarke (Clement), Inn on the Park, Hamilton Place, Park Lane, W. 12.00
Howard Machinery, Regent Crest Hotel, Carburton Street, W. 10.00
Jove Inv Tst., Friendly House, 21-24 Chiswell Street, EC. 2.45
Kwik-Fit (Tyres & Exhausts) Great Eastern Hotel, Liverpool Street, EC. 12.00
NMW Computers, 5, Hospital Street, Nantwich, Cheshire. 12.00
Tilbury Group, St. Ermins Hotel, Caxton Street, Westminster, SW. 12.00

BOARD MEETINGS
Finals:
Bassett Foods
Beecham
Cullens
Dom Intnl
Electra Inv Tst
Gee-Rosen Oren
Grt Portland Ests
M and G Second Dual Tst
Oceana Dev Tst
Pilkington Bros
Rowlinson Secs
Schroder Money Funds
Sisters Food Prods
Sound Diffusion
Tesco
Tex Abrasives
Valor
Interims:
Body Shop Intnl
Chemring
El Oro Mng and Explrn
Exploration Co
Raeburn Inv Tst

DIVIDEND & INTEREST PAYMENTS—
Bank of Tokyo (Curacao) Gtd. Fltg. Rate Nts. Dec 1991 $751.2
Banque Nationale De Paris Subord. Fltg. Rate Ser. Nts. 1994 $250.8
Citicorp Overseas Fin. Gtd. Fltg. Rate Nts. 1994 $25.6
Cory (Horace) 1.2p
Fenn Finance 12¾pcUnsLn 2014 6⅜pc
Exchequer 12pc 2013-17 6pc
Nedlloyd Finance Gtd. Fltg. Rate Nts. 1993 $7539.58
Ottoman Bank 550p
Overseas Tst. Bank Fltg. Rate Br. Nts. 1990 $508.72
Pearl Assurance 24.25p
Southeast Banking Corp. Fltg. Rate Subord. Nts. 1995 $502.4
Spring Ram Corp. 1.1p
Tilbury Grp. 3.4p
Treasury 12pc 1986 6pc
Treasury 10pc 1987 5pc
W.W. Grp. 6p

THURSDAY JUNE 13

COMPANY MEETINGS—
Farnell Electronics, Queens Hotel, Leeds. 1.00
Futura Hldgs., Quarry Street Mills, High Street, Stalybridge, Cheshire 12.00
Hewden-Stuart Plant, Diplomat Hotel, George Square, Glasgow. 12.00
High Gosforth Park, High Gosforth Park, Newcastle-upon-Tyne. 12.00
King & Shaxson, 52, Cornhill, EC. 12.15
Lewis (John), Partnership, 4, Old Cavendish Street, W. 12.30
Park Lane Hotel, Park Lane Hotel, W 12.15
Portsmouth Water Co., Brockhampton Springs, West Street, Havant. 12.00
TR Technology Inv. Tst., Mermaid House, 2, Puddle Dock, EC. 2.30
Wordplex Information Services, Marlow Place, Station Road, Marlow, Berks. 12.00

BOARD MEETINGS—
Finals:
Applied Computer Technique
British Steam Specialties
Brown Shipley
Butterfield-Harvey
Elliot (B.)
Finlay (James)
Intnl Signal and Control
Investment Co
Nrthrn Secs Tst
Pauls
Redland
600 Grp
Staveley Inds
Interims:
Ashdown Inv Tst
Camford Eng
French (Thomas)
Sidlaw

DIVIDEND & INTEREST PAYMENTS—
Banco Nacional De Desarrollo Fltg. Rate Nts. 1987 $50.87
Bruntons (Musselburgh) 1.5p
European Asian Capital Gtd. Fltg. Rate Nts. 1989 $254.36
High Gosforth Park 15p
Hungary (National Bank of) Fltg. Rate Nts. 1985 $254.36

FRIDAY JUNE 4

COMPANY MEETINGS—
Bodycote Intnl., Portland Thistle Hotel, Portland Street, Manchester. 12.30
Coates Bros., Stationers Hall, Ludgate Hill, EC. 11.30
French Kier Hldgs., Connaught Rooms, Great Queen Street, WC. 12.00
Higgs & Hill, Waldorf Hotel, Aldwych, WC. 12.00
Hyman (I. & J.), Hollyville, Holmfirth Road, Greenfield, Oldham. 12.00
Liberty, 214-227, Regent Street, W. 12.00
Minet Hldgs., The Honourable Artillery Company, Armoury House City Road, EC. 12.00
Morgan Crucible, Cafe Royal, Regent Street, W. 12.00
Roberts, Adlard, 116, Pall Mall, SW. 12.00
Scottish Heritable Tst., Merchants House, 7, West George Street, Glasgow. 12.30
Taylor Woodrow, International House, World Trade Centre, 1, St Katherines Way E. 11.30
Turriff Corp., Sudbrooke Road, Warwick. 11.00
United Ceramic Distributors, Lyttelton Arms Hotel, Hagley, West Midlands. 12.00
Wace Group, Onslow House, 60-66, Saffron Hill, EC. 10.00

BOARD MEETINGS—
Finals:
Alpine Soft Drinks
Property Partnerships
Interims:
Asscd Energy Services
Flexello Castors and Wheels
Tomkinsons

DIVIDEND & INTEREST PAYMENTS—
AMF Inc. 12.5cts
Agricultural Mortgage Corp. 10¼pcDb 1992-95 5⅛pc
Arbuthnot Yen Bd. Fd. Ptg. Red. Pref. Y3
CSK Corp. 29cts
Comcap 0.6p
Conversion 9½pc 2002 4¾pc
Crown Intnl. Productions 1.05p
Dana Corp. 32cts
East Rand Gold & Uranium 15.18527p
GBC Capital 13cts
Glaxo Hldgs. 6p
Higgs & Hill 7.8p
Insight Group 1.75p. 1pcCnvPtgCumPf 5.75p
Laporte Inds. 5.55p
Louisiana Land & Exploration 0.25cts
NMW Computers 3.5p
Plasmec 2p
Portsmouth Water 3.5pc 1.75p
President Brand Gold Mining 250cts
President Steyn Gold Mining 270cts
Sakers Fin. & Inv. Corp. 5½pcCumPf 5.5cts
Singapore Para Rubber Estates 1.1p
Smiths Inds. 1.5p
Treasury 12¼pcCnv 1986 6⅛pc
Treasury 9½pcCnv 1988 4¾pc
Treasury 10½pc 1989 5¼pc
Turriff Corp. 7p
Welkom Gold Mining 107cts
Western Hldgs. 415cts
Wheway 2.5p
Winterbottom Energy Tst. 3½pcCumPf 1.75p
Yarrow 2.5p

SATURDAY JUNE 15

DIVIDEND & INTEREST PAYMENTS—
AECI 5½pcCumPf 5.5cts
BOC Grp. 9pc Tonnage Deb 1988 4½pc. 9pc Tonnage Deb. 1990 4½pc. 11½pc Tonnage Deb. 1992 5¾pc
BSR Intnl. 5½pcUnsLn 1985-90 2¾pc
British Alcan Aluminium 8¼pcDb 1981-86 4⅛pc
Caisse Nationale Des Autoroutes 16pcGtd Ln 2006 8pc
CalFed Inc. 12cts
Cummins Engine 55cts
Drayton Premier Inv Tst 4¼pcDb 2⅛pc
GTE Finance 15¼pcNts 1986 7⅝pc
Guardian Royal Exchange Assurance 7pc UnsLn 1986-91 3½pc
Hambro Tst. 2.1p
Home Charm Grp. 7pcCnvUnsLn 1997-2004 3½pc
Investors Cap. Tst. 5¼pcCumPf 1.8375p
King & Shaxson 5.75p. CumPtgPf 3.15p. 5pcCum2ndPf 1.75p
M. & G. Midland & General Tst. Fd. 6.7p
Mercantile House Variable Rate UnsLnNts 1984-89 4.95514p
Owens-Illinois 42cts
Pennzoil 55cts
Ranks Hovis McDougall 7¾pcUnsLn 1981-1986 3⅞pc
Singer 10cts
TRW Inc. 75cts
Time Inc. 25cts
Treasury 8¼pcLn 1987-90 4⅛pc
United Biscuits 7½pcDb 1981-86 3¾pc. 8pcDb 1993-98 4pc

SUNDAY JUNE 16

BOARD MEETINGS—
Interims:
Domino Printing Sciences

BUILDING CONTRACTS

Newport's leisure centre is built by Wimpey

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

WHEN Mr Neil Kinnock opens the £7.3m leisure centre Wimpey Construction UK has built for Newport Borough Council in South Wales, the ratepayers will be able to enjoy a £2,000 palm tree in the centre of a free-form swimming pool with artificial beach, water slide and wave machine; baths, a conference centre and sports and music hall, squash courts, jacuzzis, sunbeds and sauna.

"We wanted a facility to uplift the town," said Mr Geoff Cook, Newport's chief executive. Newport has a 14 per cent unemployment rate after the slim-down of the local steel industries, he said, and "we wanted to provide a place where people could use their enforced leisure profitably and a facility which would help attract tourism and new jobs to the town."

The council decided to proceed with the centre, which Mr Kinnock will open on June 29, in September 1981. Speed was vital from the start, explained Mr Cook, because "rules on capital spending were not so restrictive as they are now and there were no penalties for spending above government targets, but these possibilities were on the horizon, so it was essential to proceed with the project as quickly as possible."

The council turned to management contracting as a way to ensuring the earliest possible commitment on site, retaining control of the design, and keeping the costs within the funds available.

Wimpey was appointed after a national competition and after the company's project team had researched sports centres all over the country. Wimpey was chosen not just because of its low cost but because of "the high degree of senior staff commitment."

The fast construction necessary was achieved by the council setting up a sub-committee with all the decision-making powers needed; by fostering what Mr John Cox, Wimpey's project manager, described as "team spirit between the client and contractor;" and by the design continuing while construction was in progress.

Tarmac busy throughout Britain

Projects throughout Britain, together worth more than £3m have been awarded to **TARMAC CONSTRUCTION**. At Broadstone, Dorset, the company has a £475,000 contract for building a sports centre, for Poole Sports Trust and at Thurso, in the Scottish Highlands, a two-storey steel-framed and clad building, for the UK Atomic Energy Authority, is valued at £455,000. Other contracts include a signalling centre at Inverness, for British Railways Board (£405,000), and demolition, refurbishment, and a new showroom at Eastleigh, Hampshire, for Jewson's (£279,000).

Contracts awarded to Tarmac Cubitts, part of Tarmac Construction, include the concrete substructure and superstructure for a new plant at Macclesfield, Cheshire, for Imperial Chemical Industries (£669,000), and external redecoration and repairs to premises in Carlton House Terrace, London, for the Crown Estate Commissioners (£299,000). Tarmac Refurb has a £533,000 contract for brickwork repairs and maintenance at premises in Warner Street, Hanley, Stoke-on-Trent, for Stoke-on-Trent City Council.

Bolton block for Mowlem

Bolton Metropolitan Borough Council has appointed **MOWLEM MANAGEMENT** as management contractor for construction of a £3.6m office development in Bolton. Situated between the town hall and the Octagon theatre, this will complete the civic centre development around Victoria Square. The project involves demolition of an existing building and erection of a six-storey, 6,300 sq metres office block with basement. The council will occupy the upper four floors and the basement, ground and first floors will be available for letting. The building will have a reinforced concrete basement, frame and floors on piled foundations. The cladding will be natural stonework with anodised aluminium window frames and anti-sun glazing. Roof construction will include a mansard finished in slate incorporating the fifth floor and plant room. Included will be air conditioning, two lifts, a security system and suspended computer floors. Work starts next month for completion by September 1986.

★

TROLLOPE AND COLLS (CITY) has won contracts, including building works valued at around £1.2m in St John's Wood. Due for completion early next year, this involves demolition of existing building and construction of a detached house. A feature will be the lounge area which leads into an underground swimming pool complete with sauna and spa bath.

£11m Dubai road scheme for Laing

AS PART of a ten-year road development plan for Dubai, **LAING EMIRATES** has been awarded an £11m contract from Dubai Municipality to construct a two-level interchange at Al Nhada Roundabout Dubai. The site is situated on the Dubai/Sharjah road adjacent to the Al Mulla Plaza not far from the Laing Emirates Office. Work will involve building a two-level interchange comprising a ground level roundabout and dual three-lane underpass. Preparatory stage work is nearing completion with all service lines, such as water, electricity and telephone, being diverted so that supplies are unaffected during the construction work.

Work will include excavation of 141,000 cubic metres of material the majority of which will be below the existing water table, and construction of a reinforced concrete underpass and two reinforced concrete overbridges which require 45,000 cu cm of concrete. In addition 85,000 square metres of asphalt will be laid. Laing Emirates will also widen the existing Al Waheida Road and co-ordinate the temporary traffic diversions during the construction period.

★

A contract worth £2.5m over the next three years has been awarded to **JOHN LAING CONSTRUCTION**. The measured term contract, awarded by Property Services Agency, involves maintenance and minor new building and civil engineering works at RAF Aldergrove, near Belfast. Work starts in September.

★

WILCON CONSTRUCTION, building division of Wilson (Connolly) Holdings, has won contracts worth over £3m. They include a £1.12m project to build 52 one-bedroomed sheltered retirement flats for Epsom Estates in Dulwich — a project being short-term funded by Wilcon. In Isleworth, in conjunction with sister company Wilson (Connolly) Properties, work has started on building a £620,000 two-storey 10,000 sq ft air-conditioned office block due for completion in April 1986.

TECHNOLOGY

EDITED BY ALAN CANE

Now, a computer to guide you through the software maze

Alan Cane on taking the pain out of picking programs

EVERY 11 minutes, somebody, somewhere, is putting the finishing touches to a new proprietary program for the IBM Personal Computer (PC).

Or so the advertisements would have us believe. But even if they exaggerate, the fact remains that the success of the PC has resulted in the generation of an enormous amount of PC compatible software—and big headaches for personal computer software developers and users.

For the developers, the problem is one of visibility. Lotus Development Corporation reputedly spent $1m on marketing its very successful "1-2-3" integrated softwar which combines spreadsheet, graphics generator and file handler in one package.

Lotus showed the way, but very few other companies had the resources or the enterprise to follow suit. Now the cost of marketing a new package is so high that the smaller, independent companies which tend to generate the bright ideas in software are being shut out. They simply cannot afford the entry fee.

The users' problem is that of choice. They are faced with several thousand software packages, many apparently very similar.

Chore

There are professionally published catalogues of software—the Ultimate Software Selector for Business Micros, from Macmillan Reference Paperbacks, and Romtek's Microsoftware for Vertical Markets are good examples in the UK—but seeking and selecting the right software is still a chore.

Which is why Bob Fertig, president of Enterprise Information Systems in the U.S., has turned his attention away from predicting what IBM, the giant of the data processing industry, will do next, to what the software buyer should do next.

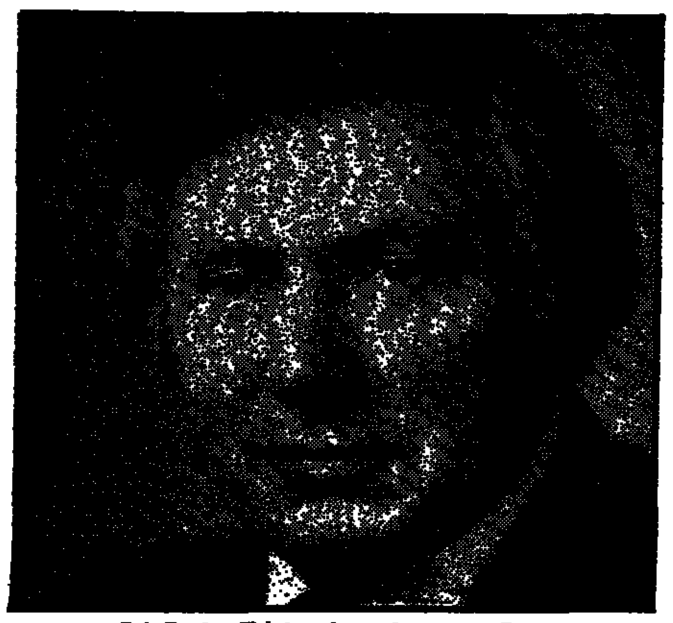
Fertig is one of the best known of America's IBM watchers, a consultant who over the years has earned his living by analysing and pondering every move made by "Big Blue."

His interest has up to now been chiefly directed towards the hardware—predicting, for example, the likely shape and form of the Sierra range of top-end mainframes which IBM recently launched as the 3090 family.

Now, however, he has turned his attention to microcomputer software. The first result of that is a book: The Software Revolution, just published by Elsevier North Holland at Fl175 (£40).

But Fertig also reckoned there must be a better way for potential users to choose the best software for their particular application. The result is the Software Selector, a prototype of which is now up and running and which Fertig hopes soon to be able to sell to computer retailers, dealers and systems suppliers.

The Selector is, physically, an IBM PC. Stored in its memory are details supplied by the vendors of all software packages created for the PC together with — and here is what makes the Selector different from any other database of product details — an expert system which enables the user to choose the package best suited to his or her purpose.



Bob Fertig: Fighting chance for the small guy

Expert systems are one of the most important of the new kinds of sophisticated software which can be run on today's powerful personal computers.

They are the result of many years research into computer-based artificial intelligence and make it possible for computers to give "reasoned" or "intelligent" answers to queries about materials stored in their memories.

Mr Fertig's Software Selector expert system makes it possible for the potential customer to sift quickly and accurately through all the thousands of programs stored in the memory to find the one best suited to their purpose—which may not be the one that has the best reputation or the heaviest promotion.

Fertig says of the Selector: "It gives the smaller, independent guys a fighting chance in this business—those that cannot spend money like Lotus or Ashton-Tate."

The software vendors will pay a small fee for their products to be included on the Selector's database. Their claims for the specifications of their products will be independently verified, Fertig says, before the package is added to the database.

There is a crafty marketing sting in the tail as well. In using the expert system, potential customers have to answer detailed questions about their software requirements in order that the system can best match package and application.

All of that information is stored away and can be analysed in different ways to help predict market needs and trends. Fertig intends to sell that information back to the vendors to help them with their product planning.

Fertig sees giving the small independent software producers a fighting chance as the most important issue in microcomputer software today.

In his book he warns that the growth of microcomputer software will be neither simple nor straightforward.

Obsolete

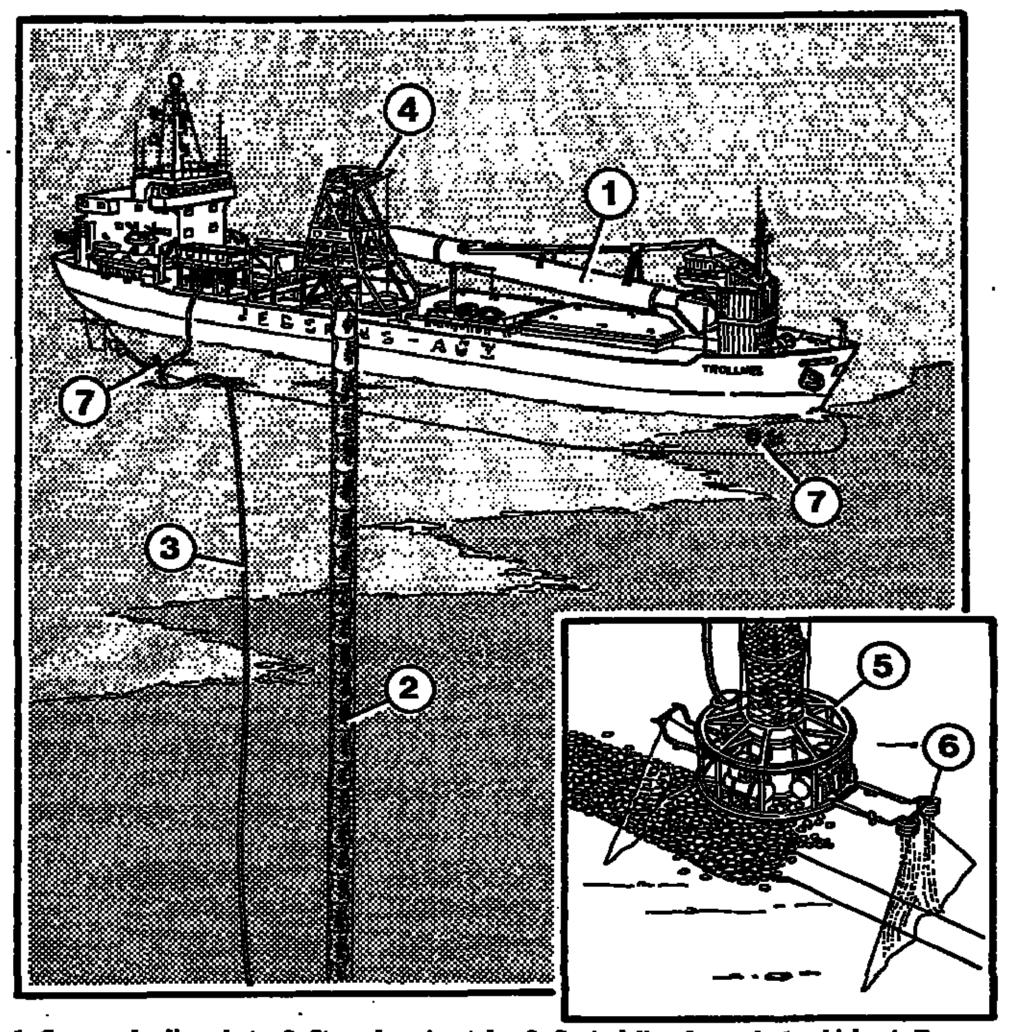
Among the factors which will impede progress, he argues, are fierce competition, lack of industry standards, declining retail prices, rising development costs, market saturation in some sectors and high advertising and promotional costs.

On the other hand, progress will be boosted by high business microcomputer shipments, dramatic technical advances, the evolution of networks of mini and micro computers and high profit margins for best sellers.

He argues that demand from the business market for easy-to-use, productive integrated software will continue to expand at a 70 per cent to 90 per cent compound a year over the next five years.

Non-integrated and the early, partly integrated packages will become obsolete; the newer, completely integrated software will take up more programming space and cost considerably more but users will be prepared to pay the premium for ease of use and high productivity gains.

Software decisions, he predicts, will soon dominate in business systems purchases as the ratio of software to hardware costs changes.



1, Cargo unloading chute; 2, Stone-dumping tube; 3, Control line for seabed vehicle; 4, Framework for stone hoppers; 5, Seabed vehicle; 6, Survey arms with sensors; 7, Extra thrusters

Bulk carrier finds a new role

DUMPING STONES in the ocean may not be the most glamorous area of shipping. But Bergen-based operator Kristian Jebsens Rederi, battling it out in the long-fraught bulk carrier world, reckons there is a large potential in the offshore energy-related market.

Kristian Jebsens Rederi has converted a sophisticated bulk carrier, the Trollnes, in a bid to win business in the fast expanding and highly competitive offshore market.

With its Dutch underwater equipment, to be fitted shortly on a special deck framework, the £9.8m ship will be able to drop rocks and stones with precision on to seabed pipelines and other equipment and around offshore rigs.

The stones protect installations from disturbance and help ease concern about the effect of offshore operations on the fishing industry.

The Trollnes, built by Kleven Loland near Bergen, has computer-controlled thrusters to keep it in place during offshore work. It will be operated jointly by Jebsen and ACZ Marine Contractors, the Dutch company which developed the stone-dumping technique.

The ship's flexible stone-dumping chute, made of polypropylene, can work in 600 metres of water. This is deeper than ACZ's present ships, which tip stones over the side.

At the foot of the chute will be a £780,000 remote operated vehicle with equipment for echo sounding, depth sensing, magnetic tracking, sonar scanning, and cameras to guide and check the seabed operations.

The vehicle, built by Skadoc of Holland, will have four thrusters, so that it can be moved independently of the ship. While the Trollnes' own computer-controlled propellors keep her in one spot, the vehicle can be monitored and manoeuvred from on board ship.

The first offshore work will be carried out for BP Norway in shallow waters off Norway. But Jebsen and ACZ are looking for business in the UK sector and elsewhere. Jebsen's chairman, Mr Atle Jebsen, hopes the construction of a cross-Channel link will provide work.

For offshore work a conveyor belt will feed stones from the hold to a hopper on deck. They then pass as a controlled speed into the underwater chute and onto the seabed.

Ideally the ship will only be used for its special offshore role. It is more likely, however, to spend six months offshore dumping in spring and summer and the rest of the year carrying bulk products such as grain, ore, coal and chemicals.

ANDREW FISHER

Safety check on car park fumes

UNDERGROUND car parks in central London are being made safer by the installation of carbon monoxide monitoring devices that warn motorists of high levels of exhaust fumes.

The equipment, supplied by Draeger of Chesham, is to be installed by Westminster City Council at a car park near Cambridge Circus. Three other nearby parks have similar equipment.

The device consists of two analyser units which detect carbon monoxide, a poisonous gas contained in car exhaust fumes. A selector takes a carbon monoxide reading from 18 points on the car park every 100 seconds and checks levels against a set of optimum values.

New hope for transplant cases

WELLCOME Biotechnology and the British Technology Group are to develop jointly applications for a monoclonal, or very pure, antibody discovered at Cambridge University that may help to increase the success of bone-marrow transplants.

The antibody, Campath-1, prevents a disease that affects bone-marrow transplant patients. The antibody has been given to patients in Britain and West Germany.

Challenge to robots

PROGRAMMABLE robots, take one pace backward. Manifold Industries, a leading UK producer of cam-operated indexing equipment has announced what it claims is the most sophisticated fully mechanical pick and place part handling unit in the market.

Called the Advanced Placer, it can pick and place components weighing up to 20 kgs.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Michel Guerin: sweet talking

A confection of Anglo-French expertise

Paul Betts talks to Rowntree-Mackintosh's first non-UK director

"ALL ROADS no longer lead to York at Rowntree-Mackintosh," remarks Jean Guerin, the first Frenchman to be appointed to the board of the large Yorkshire confectionery and foods company. "By putting me on the board, the chairman wanted to show the growing internationalisation of the company and change its provincial image."

Guerin, a cheerful 49-year-old chemical engineer and Harvard Business School graduate, has become a director following a major management restructuring at Rowntree-Mackintosh at the beginning of this year. This involved regrouping all the company's activities into four divisions covering separate geographic areas.

These include the UK and Ireland, North America, where the company has recently been increasing its presence through a series of acquisitions, Europe, excluding the UK, and the rest of the world. Guerin, who has run Rowntree-Mackintosh's French operations since 1971, has been put in charge of the new European division.

"Four years ago, the UK accounted for about 65 per cent of the group's trading profits. It now accounts for 41 per cent of the total," he says, explaining the group's decision to set up a new decentralised management structure which gives far greater autonomy to regional managers than in the past. Europe currently accounts for 20 per cent of the group's total sales of £1.156bn last year whereas North America accounts for 27 per cent of sales. The UK has seen its share of the sales total drop from 55 per cent in 1980 to 41 per cent last year.

After a spell with the U.S. Pfizer pharmaceutical group, Guerin joined Perrier, the French sparkling water company, where he was involved in its unsuccessful effort to diversify into the chocolate business through a series of acquisitions of French chocolate manufacturers. One of these companies was Chocolat Menier, an old established French concern which had hit hard times.

When Perrier decided to abandon its chocolate venture ("It was a flop," acknowledges Guerin), it sold Menier and its glorious plant — a perfect relic of the French industrial revolution built like a chateau over a river in the outskirts of Paris — to the Yorkshire group. Rowntree - Mackintosh was already importing products into France. "But when you reach a certain size you must become a producer in a market like this one and buy a factory," explains Guerin, who was asked by Rowntree-Mackintosh to stay on when the company bought Menier.

Around Menier and subsequent acquisitions in France in 1973 and 1977, Rowntree-Mackintosh rapidly built itself up to become leader of the French chocolate confectionery market with a 15 per cent market share and annual sales of FFr 1.2bn. It now employs 1,550 people in France where it has two manufacturing plants, including the former Menier facility near Paris, which also produces Polo mints for the UK and the Italian markets, and a plant at Dijon.

The core business of Rowntree - Mackintosh in France is centred on sales of Quality Street; After Eight; Kitkat; Nuts; Smarties; and Lion bars. But not all these products are made in France. "We have specialised factories to make certain products for sale throughout Europe," explains Guerin.

At Dijon, for instance, Rowntree - Mackintosh manufactures Quality Street for the Continental European market. "We have also become leaders in France in Christmas assortment boxes," says Guerin. At Dijon, the UK group also makes French products like Rêve Noir and the Lanvin snail-shaped chocolates. At the Noisiel plant, near Paris, Lion bars are made as well as Polos. About a half of the Polo production goes to Britain.

However, Rowntree - Mackintosh has so far not decided to market Polos in a big way in France. There are also no fruitgums. Indeed, many consumers complain that it is as difficult to find Polos in France as it is to find a needle in a haystack. And at present Rowntree - Mackintosh does not appear to have any plans to market the popular mint with a hole in any great quantities in France.

The Noisiel plant also makes traditional Menier chocolate bars widely used for making cakes and puddings in France.

As for best sellers like Smarties, Kitkat and After Eights, the French market is supplied by Rowntree-Mackintosh's plant in Hamburg, with the Netherlands supplying the market with Nuts bars.

The group's French investments are also starting to pay off. "Last year was our first profitable year in France since 1976," says Guerin. "Before we were buying market share and building up our presence here. It's an expensive business," he adds, explaining that the group made its big investment push in France between 1976 and 1982.

Rowntree-Mackintosh's main rival in France and Europe is Mars, the U.S. chocolate confectionery group, and not its traditional UK competitor, Cadbury. Indeed, the two British groups went different ways in the past with Cadbury placing the emphasis on the North American market early on and Rowntree-Mackintosh concentrating more heavily on Europe.

Rowntree-Mackintosh markets principally bars like Kitkat, Nuts, Lion and other chocolate confectionery products new to France using less actual chocolate but different ingredients for the "stuffing" of the bars.

Guerin says Rowntree-Mackintosh felt that the market for speciality bars sold under its specific brand names offered the best growth prospects in France. But the company intends to introduce new products in France to extend its range. The UK group, while consolidating its position in European markets like France, Italy, the Netherlands and Germany, is looking with increasing interest at the Scandinavian market and also Spain. Guerin says the group's strategy will be to develop existing products in Europe, launch new ones and penetrate new markets in Europe—perhaps through new acquisitions.

At the same time as developing its European activities, Rowntree-Mackintosh plans to continue to expand in the U.S. where, according to Guerin, it is looking for acquisitions. "In the 1970s we chose Europe rather than the U.S.," he says. But the company has recently made a major thrust in the U.S. where, among other operations, it has recently completed the acquisition of The Original Cookie Company for $36m from Cole National Corporation. The U.S., which accounted for only 8 per cent of group trading profits in 1980, accounted for as much as 34 per cent of the total last year.

As head of the European division of the group and the first Frenchman on its board, Guerin says his brief is a remarkably simple one. "We are very basic people. I'm expected to get more market share and make more profits and then get more market share and more profits."

Service industry

How KIS found the key to diversified expansion

BY ANDREW BAXTER

WHEN former nuclear physicist Serge Crasnianski found to his annoyance that he could not get a key cut for his car instantly, he took the bull by the horns and decided to invent a machine to do the job.

Twenty years later, Kis, the Grenoble-based concern which Crasnianski owns and chairs, has mushroomed to produce sales last year of FFr 3bn (£254m). It expects to double sales this year, and claims leadership of the instant service industry with about 150,000 dealers worldwide.

The humble key-cutting machines are now just a small part of the Kis empire. The company produces everything from automated engraving equipment, shoe repair machines and business card printers to photographic "minilabs" for on-the-spot film developing.

The company's heady growth has brought management problems in its wake, which Kis is now trying hard to correct. Meanwhile the mercurial Crasnianski and his scientists are not resting on their laurels, and the company is now expanding into cake-and-biscuit ovens, photographic enlargers and colour copiers.

While at first glance there would seem to be little connection between the technological demands of colour copying and the more mundane art of cooking a croissant, in fact all the company's products are linked by one marketing principle that has guided Crasnianski since the first key-cutter was produced.

This is the tried-and-tested concept of instant service, the theory that people are prepared to pay extra for the convenience of getting a job done fast. From the owner's point of view, the premium compensates for the small size of the machines, which are designed to make money from relatively low volumes.

The owners, typically, are small businessmen planning to set up shop in High Streets and shopping malls worldwide. The machines are bought outright rather than franchised, but Kis provides materials and technical back-up.

> Serge Crasnianski—guided by the principle that people are prepared to pay extra for the convenience of getting a job done fast

More than anything else, the company's rapid growth has been fuelled by its incursion into the highly competitive world of photo film developing. Over the past five years the industry has been transformed by the growth of the minilabs, which allow entrepreneurs to offer fast service on the spot.

In the U.S., Kis, with its £25,000 Magnum machines taking up about 25 sq ft of floor space, and Japanese companies such as Noritsu, whose machines are much larger, have captured an estimated 10 per cent of the market. In the process they have put pressure on the traditional photoprocessing companies, which develop films in big central laboratories away from the kiosks or shops where the business is generated.

Film developing would seem to lend itself naturally to the fast-service approach; it requires two visits to the shop, and many people, for example shoppers and commuters, would be expected to find it more convenient to make both visits in one day.

The Kis minilab machines are designed to offer a one-hour service, thus enabling the entire transaction to be completed in the average lunch hour. In fact the one-hour service has met varying fortunes in the UK.

Neil Arnold, director of Chelmsford stationers and booksellers J. H. Clarke, says many customers are prepared to pay a premium—of at last £2—for the service, particularly "youngsters impatient to wait."

Clarke's machine is installed in its Chelmsford shop, and was bought last year. "The returns we were told it would produce were astronomic," says Arnold. These returns have not so far been forthcoming, but he concedes that the Kis machine "with the right operator, can produce very good pictures. Given enthusiasm to go out and promote the thing, the machine can be a success."

At present Clarke's is processing 30 to 35 rolls of film a day, but Arnold hopes that a planned promotion will boost the figure, and that the £25,000 outlay, plus plumbing and installation costs, will be recouped in three years. "We are glad we got it," he concludes.

Nick Phillip, managing director of Foto Flash, which owns three Kis minilab outlets in Hertford, Cheshunt and Harpenden, finds only a very small percentage of customers require the one-hour service. Instead he focusses on a two-to-three hour service and says: "It's a good business providing it's run well."

Phillip notes that customers like the security of having their films developed on the spot, and also like seeing the machine produce the pictures. His most successful shop is at Harpenden, where the machine is closest to the front of the shop.

"I know there are a lot of unhappy Kis customers," he says, "but all I can say is, it depends what you put in, and I have had to work hard." Now Phillip hopes to open a fourth Kis shop in Spain.

Since 1979, when minilabs were introduced, 12,000 Kis photo centres have opened worldwide, about one-third of which have been in the U.S. Crasnianski sees room for 200,00 minilabs in the U.S., and forecasts that 90 per cent of the film developing business there will be in the hands of quick service on-site operators by the end of the decade.

The forecast is greeted with some scepticism by U.S. analysts. Brenda Lee Landry, who follows the photographic industry for Morgan Stanley, expects to see some consolidation in the spread of the minilabs, and notes the very low profit margins in the indstry. On the other hand, she sees the size of the total market expanding.

Peter Enderlin of Smith, Barney believes the big laboratories, with the advantage of economies of scale, will retain a solid market share, and says the "circumstances are rare" when camera users really need fast service.

Growth, for Kis and other minilab manufacturers, will also be limited by the extent to which the companies' infrastructures can keep up. Landry notes that the company "got off on the wrong foot for a while" in the U.S. "They weren't servicing their accounts well. There was a lot of flak at first."

Similar growing pains have been experienced in the UK. A new UK managing director, Jean-Paul Lardiere, was appointed last autumn and is given credit by customers for improving the service. "It's always critical for fast-growing companies to adapt their management structure to growth, and sometimes service and back-up can be lacking. That's what happened to some extent," he says.

Photographic products already represent half of Kis sales and Crasnianski says this will grow to 60-70 per cent within two to three years. Part of the growth is forecast to come in the U.S., where the company's New Jersey minilab assembly plant is projected to become a full manufacturing plant. But Crasnianski also sees growth opportunities for all Kis products elsewhere, particularly in the Far East and China.

WORLD OIL BUSINESS

Texaco takes a gamble in the 1990s

By Ian Hargreaves and William Hall

THE WAY that Wall Street tells it these days, Texaco is the oil company which came back from the grave, only to find it was still suffering from rigor mortis.

"No doubt about it," says Mr Dillard Spriggs, president of Petroleum Analysis, a New York-based research organisation, "on any analysis you care to put on it, Texaco looks weak."

According to Mr Spriggs—and few oil analysts would disagree with him—Texaco's highly geared condition following the $10.2bn acquisition last year of Getty Oil has left it fragile in a world of weak oil prices and at the bottom of any reasonable order of excellence among the seven or eight leading international oil companies.

There are plenty of numbers to back up the judugment. At 7.3 per cent, Texaco's return on equity is the lowest in the group. Its debt tototal capital ratio—42 per cent at year end —is among the highest. Net profits have declined in each of the past five years.

But, the assiduous student of the financial press may ask, what happened to the Texaco turnround, which led to so many favourable portrnits in the 1981-84 period? In those years, Mr John McKinley, Texaco's chairman, was twice named "best chief executive in the international oil industry" by The Wall Street Transcript, a trade journal for securities analysts. At that time, Mr McKinley was credited with having woken up the sleepiest of the Seven Sisters, which had sat unimaginatively on e deteriorating reserve base for most of the 1970s.

Part of the explanation is reaction, perhaps over-reaction, to Texaco's simply rotten 1984, when net income was slashed from $1.23bn to $306m. Some $765m of that drop was accounted for by Texaco's decision to write down the value of some oil and gas properties and some downstream assets, notably oil tankers. Texaco's ships have lost the company $408m in the last three years. The 7.3 per cent return on equity figure, however, is struck before that write-off.

Restructuring

In the past two years, Texaco has also been through the dispiriting procedure of paying greenmail, arguing to its shareholders that the buy-back of a block of shares at premium price was justified in order to permit the McKinley plan to reach fruition.

The official Texaco line today is that the 1980 plan was not only good, it was prescient. Texaco sees itself as a pioneer in the restructuring now sweeping the industry. "The company's plans and actions over the past few years are being reflected in the actions of many others today," Mr McKinley told the reeent shareholders' meeting.

This is almost true. Texaco has closed eight of its 19 North American refineries and so raised average refinery size in the U.S. to something resembling that of the competition; it has spruced up and thinned out petrol stations, raising the average monthly throughput of its U.S. chain to 170,000 gallons, which is three times the industry average; and, in buying Getty, it has boosted its oil and gas reserves.

Also, whether by luck or foresight Texaco, alone among the majors, shunned both diversification and expensive forays into synthetic oil. Even Texaco's chemicals business is small by comparison with the others.

The company's proudest boast today is that every Texaco share is backed bq 22 barrels of oil equivalent, one of the highest in the industry. "Some managements have used the borrowing capacity of their organisations to buy back their own shares as a way of adding to reserves per share. We used our borrowing capacity to add real reserves," says Mr Alfred de Crane, Texaco's president.

McKinley's other achievements have been to extricate Texaco from costly contractural overcommitments in gas and to replenish the store of exploration acreage (up from 81m net acres in 1980 to 107m today).

But not every aspect of the McKinley plan has been so uncontroversial. The decision, in 1983, to buy Chevron's loss-making downstream activities in six European countries represented a major piece of counter-intuitive thinking at a time when most oil companies are trying to reduce their downstream commitments, especially in the cut-throat European market.

Texaco justified that on the grounds that it had underused, high quality refining capacity in Pembroke which could fill the Chevron pumps. "We took al lthat market andare operating it, essentially, with no additional overhead," says Mr De Crane. But that sounds dangerously close to the type of integration's sake arguement widely felt to have been discredited in the 1970s. Texaco's total refining capacity, at just over 2m b/d, is little changed from its 1981 level.

The other project which has not worked out particularly well for Texaco is the exploration boom, which McKinley ordered in 1980 to stem the decline in reserve base. Spending increased from $184m in 1979 to $700m in 1982—probably the most inefficient drilling year in the industry's history because of inflated costs following the 1981 drilling boom. This would not have mattered if Texaco had made a big discovery, but so far it has not. Leaving aside the Getty acquisition, which almost doubled Texaco's oil reserves, the company continued to produce more oil and gas than it found in 1984.

Te xaco today, therefore, finds itself loaded with debt and cutting its exploration and production budget—it will not say by how much, but agrees with the general proposition—and justifying this on the grounds that the outlook for oil prices makes exploration less attractive.

When it turns to Wall Street, therefore, the company finds iteslf in the familiar contemporary oilman's squeeze: How to provide some reassurance about short-term performance on the basis of a corporate strategy which promises financial rewards only for the longer term.

Mr McKinley's speech at the annualm eeting was a potential classic of exposition in this regard, opening with the blunt statement that "Texaco is in business to create wealth for its stockholders," reminding the audience that the dividend yield on Texaco stock is higher than on leading industrial stocks, and then listing the long-term benefits likely to flow from strengthened downstream interests.

Texaco, McKinley told the meeting, can make most money for shareholders by finding oil, refining it and marketing it. Then, with a nod to Wall Street, he added: "But when the company can make a more profitable transaction by simply selling reserves, as oil and gas in the ground, it will do so."

John McKinley, Texaco's chairman: rated "best chief executive in the international oil industry."

Profitability

In the near term, however, Texaco's financial fortunes are more or less certain to improve. The benefits of the McKinley house cleaning will help this year, as will the weakening of the dollar which has already improved profitability in Europe. And the company has also taken a strong line in cutting overpriced Saudi crude supplies at a time when others have been more hesitant.

Texaco has moved vigorously to sell off surplus assets from the Getty deal—about $2.5bn worth so far—and should, according to projections by Salomon Brothers, be able to pay off almost half its debt by 198. But on these figures, that still gives Texaco a return on equity of only 6 per cent in 1988.

This underlines the fact that the McKinley plan is really designed for the 1990s, which in turn exposes the company's basic gamble; that the world will not change in an unforeseen manner between now and then, and that oil prices will start to recover in that decade.

"Texaco must be assuming that the industry will emerge as an oligopoly in which pricing will be in the hands of a few powerful corporations," says Mr Bill Randol, energy analyst with First Boston.

In other words, Texaco under Mr McKinley has transformed itself from a rather sloppy, lazy member of the Seven Sisters into a more aggressive one, with a coherent business strategy. The big question is whether the traditional structure of the large, multination, integrated oil company, even a well run one, will be right for the 1990s.

FIVE YEARS OF DIMINISHING RETURNS

	1980	1981	1982	1983	1984
Net income ($m)	2,642	2,310	1,281	1,233	306
Return on equity (%)	19.7	17.6	9.2	8.6	7.3
Long term debt ($m)	2,374	2,112	1,731	2,098	10,489
Capital spending ($m)	3,075	3,711	4,216	3,893	3,913
Proved oil reserves (billion barrels)	2.3	2.1	1.9	1.8	3.25

Company Notices

PRUDENTIAL OVERSEAS FUNDING CORPORATION N.V.
U.S.$100,000,000 12¼ per cent GUARANTEED NOTES DUE 1987
U.S.$100,000,000 10¾ per cent GUARANTEED BONDS DUE 1993
U.S.$110,000,000 10⅞ per cent GUARANTEED BONDS DUE 1998
Unconditionally Guaranteed by PRUDENTIAL FUNDING CORPORATION

NOTICE IS HEREBY GIVEN to the holders of the above securities that copies of the 1984 annual reports and accounts of Prudential Overseas Funding Corporation N.V., Prudential Funding Corporation and The Prudential Insurance Company of America are available and may be obtained by writing to:
Prudential Funding Corporation
15th Floor
215 Washington Street
Newark NJ 070101
Attention: Michael A. Coyne.

NOTICE OF COMBINED AND CONSOLIDATED STATEMENTS OF
SALINAS Y ROCHA GROUP

NOTICE IS HEREBY GIVEN that copies of the Combined and Consolidated Statements of Salinas Y Rocha Group for January 31, 1985 and 1984, are now available at:
CITIBANK, N.A.
336 Strand
London WC2R 1HB.
(CSSI Dept.)

Legal Notices

IN THE MATTER OF SLOANROW LIMITED AND IN THE MATTER OF THE COMPANIES ACT 1948

NOTICE IS HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 30th day of August 1985 to send in their full Christian and Surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned Surjit Kumar Singla, F.C.A., of Singla & Co., Chartered Accountants, of New Broad Street House, 35 New Board Street, London EC2M 1NH, the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.
Dated this 31st day of May 1985.
S. K. SINGLA, F.C.A., Liquidator.

Contracts and Tenders

London Borough of Redbridge
SECURITY SERVICES

Contractors willing to submit a tender for providing security services within the Borough are invited to apply to:
Director of Technical Services,
P.O. Box 2, Town Hall,
128-142 High Road,
Ilford, Essex IG1 1DD.
Please quote ref: ADM/FIN.
by the 19th June 1985, giving bankers and two local authority or other references.

Documents will be sent to selected contractors for completion and return early July.

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**PAN-HOLDING
SOCIETE ANONYME
LUXEMBOURG**

The annual general meeting of shareholders took place on May 30, 1985, the accounts for the year 1984 were approved.
The unconsolidated accounts show a net profit of US$7,660,953.37. After the transfer to the provision for contingencies of the net amount of the various realised gains, i.e. US$5,240,936.38 there remains a net income of US$2,420,016.99.
The shareholders' meeting meeting decided the distribution to the shares, outstanding on June 28, 1985 after the close of the markets, of a dividend of US$5.00 for the year 1984, which is to be compared to the dividend of US$4.50 for the year 1983.
This dividend of US$5.00 which is free of withholding tax in Luxembourg will be payable as from July 1, 1985 onwards.
The chairman indicated that investments in North America remained important (40.1% of net assets as of the end of 1984). The percentage invested in Europe reached close to 20%, in Japan 12.2% and that of the gold mines and gold bullion 6% of net assets.
The unconsolidated net asset value per share of Pan-Holding as of December 31, 1984 was US$216.24 showing a decrease of 8.2% compared to December 31, 1983. Taking into account the dividend paid, the decrease amounts to 6.3%.
The balance sheet of the company being expressed in US dollars, the net asset value was, in 1984, penalised by the strong rise of the dollar vis-a-vis other currencies for the portion of the portfolio invested outside of the dollar zone.
As of May 31, 1985 the unconsolidated net asset value per share amounted to US$240.34, an increase of 11.1% compared to December 31, 1984. At the same date, the consolidated net asset value per share amounted to US$245.88 against US$220.66 as of December 31, 1984.
The general meeting re-elected Messrs Rowland H. George, Eijmert K. den Bakker, Frederick A. Klingenstein, Roger Paluel-Marmont and Sir Ronald L. Prain.
These appointments will expire with the general meeting approving the accounts for the year ending December 31, 1987.

Granville & Co. Limited

Member of The National Association of Security Dealers and Investment Managers
8 Lovat Lane London EC3R 8DT Telephone 01-621 1212

Over-the-Counter Market

Capitalisatn. £000's	Company	Price	Change on week	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
4,960	Ass. Brit. Ind. Ord. ...	146	—	8.6	4.3	8.1	9.6
—	Ass. Brit. Ind. CULS ...	150	—	10.0	6.6	—	—
3,068	Airsprung Group	53	—	6.4	12.1	5.9	7.0
850	Armitage and Rhodes...	38	+ 1	2.9	7.6	4.7	7.9
47,378	Bardon Hill	153	+ 2	3.4	2.2	15.4	25.7
3,190	Bray Technologies	58	+ 2	3.9	6.7	7.0	8.2
571	CCL Ordinary	163	+ 2	12.0	7.4	4.0	3.8
1,375	CCL 11pc Conv. Pref....	110	—	15.7	14.3	—	—
7,188	Carborundum Ord. ...	120	+ 1	4.9	4.1	5.9	9.3
616	Carborundum 7.5pc Pf.	88	—	10.7	12.2	—	—
3,600	Deborah Services	46	—	6.5	14.1	4.4	7.1
21,044	Frank Horsell	330	+ 2	—	—	13.3	17.4
—	Frank Horsell Pr Ord 87	264	+ 2	9.6	3.6	10.6	13.9
4,189	Frederick Parker	29	—	—	—	—	—
1,088	George Blair	59	+ 1	—	—	4.0	7.9
1,055	Ind. Precision Castings	26	+ 2	2.7	10.4	7.1	8.7
14,132	Isis Group	180	—	15.0	8.3	7.1	12.9
5,624	Jackson Group	108xd	+ 3	5.5	5.1	7.2	7.2
32,864	James Burrough	237	+ 2	13.7	5.8	8.4	8.4
3,120	James Burrough 9pc Pf.	90	—	12.9	14.3	—	—
9,796	John Howard and Co.	94	+ 1	5.0	5.3	7.5	11.8
3,632	Linguaphone Ord.	224	+ 1	—	—	8.2	8.5
—	Linguaphone 10.5pc Pf.	92xd	− 6	15.0	16.3	—	—
17,096	Minihouse Holding NV	828	+ 5	8.9	1.1	27.4	26.1
632	Robert Jenkins	63	+ 2	5.0	7.9	—	—
1,440	Scruttons "A"	34	—	5.7	16.8	17.9	4.1
1,830	Torday and Carlisle ...	75xd	− 1	5.0	6.7	3.8	6.9
1,496	Trevian Holdings	330	—	4.3	1.3	18.8	18.4
4,710	Unilock Holdings	30	—	1.3	4.3	14.6	21.0
13,177	Walter Alexander	103	+ 1	7.5	7.3	10.2	12.4
5,377	W. S. Yeates	230	+ 2	17.4	7.6	6.5	11.3

Prices and details of services now available on Prestel, page 48146

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(Incorporated in England with limited liability)

U.S.$750,000,000

Primary Capital Undated Floating Rate Notes

In accordance with the terms and conditions of the Notes and the provisions of the Agent Bank Agreement between Lloyds Bank Plc and The Chase Manhattan Bank, N.A., dated 5th June, 1985, notice is hereby given that the Rate of Interest for the initial Interest Period beginning on 7th June, 1985 has been fixed at 8% p.a. The relevant Interest Payment Date is 9th December, 1985 (making an interest period of 185 days), and payment of US$411.11 will be made against Coupon No. 1.

10th June, 1985
By: The Chase Manhattan Bank, N.A., London, Agent Bank

NOTICE OF RATE OF INTEREST

**Kuwait Foreign Trading Contracting & Investment Co. (S.A.K.)
Kuwaiti Dinars 7,000,000
Floating Rate Notes due December 1988**

In accordance with the provisions of the Fiscal, Paying Agency and Reference Agency Agreement between Kuwait Foreign Trading Contracting and Investment Co. (S.A.K.) and The National Bank of Kuwait S.A.K., dated as of 7th December, 1983, notice is hereby given that the rate of interest upon the above Notes has been fixed at 7¾% per annum and that the Coupon amount payable on 8th December, 1985, against Coupon No. 4 will be K.D. 194.281.

By: The National Bank of Kuwait S.A.K.,
Head Office: P.O. Box 95, Safat, Kuwait.
Fiscal Agent
5th June, 1985.

بنك الكويت الوطني ش.م.ك
The National Bank of Kuwait SAK

Heritage Communications, Inc.

Notice of Adjustment of Conversion Price to Holders of

Heritage Communications International Finance N.V.
8½% Convertible Subordinated Bonds

Effective April 2 the Conversion Price was adjusted from $18 to $12 following a three-for-two split in the Guarantor's common shares.

THE LEAR FAN AIRCRAFT

Last week, a plan to resurrect the Lear Fan aircraft, backed by a company with $257m, was launched. **Paul Taylor**, recently in Reno, meets the designer's widow

Lear's dream still lives

● Bob Burch with Mrs Moya Lear in Belfast

FOR SEVEN years Moya Olsen Lear has worked to turn her late husband's dream of an all-composite fuel-efficient executive aircraft driven by a single rear pusher - propeller into reality. When Lear Fan abruptly closed its trans-atlantic manufacturing and R and D facilities in Belfast and Reno, Nevada, two weeks ago, she cried.

The 70-year-old Mrs Lear insisted on telling a meeting of 100 Lear Fan employees assembled in one of the group's hangers at Stead airfield, high up in the Sierra Nevada mountains just north of Reno, the bad news herself.

After consuming about $200m in venture capital, including a $72m chunk from the British Government, funding for the revolutionary Lear Fan project had run out and hundreds of workers in Northern Ireland and Reno were out of work.

For Mrs Lear, a spritely silver-haired woman, the shut-down appeared to spell the bitter end to a quest which has cost her personally "about $13m."

The Lear Fan project had its origins in the inventive mind of William Powell Lear, a high-school drop-out and charismatic entrepreneur who is credited with conceiving the car radio, co-founding Motorola, developing the first practical aircraft autopilot and, perhaps most notably, heralding-in the era of corporate private jet travel in 1963 with the hugely successful Learjet—a business he sold in 1967.

As Moya Lear tells it, Bill Lear became fascinated in the 1950s with the concept of using graphite composites—plastic-like materials with the strength of steel but a fraction of the weight—to build an aircraft that would be powered by an unconventional rear-mounted pusher-propeller.

The idea came together after Bill Lear visited an airshow in Oshkosh, Wisconsin, in 1977.

From then on the Lear Fan project was all Bill Lear thought about. "When he got involved in an exciting challenge he operated at 1,000 volts," says Moya Lear. At one point he sketched the design of his new aircraft on a restaurant napkin.

The board of directors of his company, Lear Inc, was unimpressed, perhaps because of the failure of an earlier venture in the 1970s, a Lear project to design a better steam locomotive engine which cost him $17m. Bill Lear, undeterred, sacked the board, sold the company and formed the Reno-based Learavia Corporation.

At his last Press conference in Washington in the autumn of 1977 Bill Lear promised he would fly his new aircraft "next year, on my birthday."

However, one month before his 75th birthday in June 1978, Bill Lear was dead.

But Bill Lear left more than a multi-million dollar fortune. He left an explicit message. "Bill told me to be sure not to let go and finish the Lear Fan," recalls Moya Lear.

That is exactly what Mrs Lear set out to do. She even fought a challenge to Bill Lear's will by her daughters. "They did not think that the project would go anywhere without their father," she said. "But they did not know what a will meant. My Bill's will was going to be honoured."

In his will Bill Lear set aside an initial $6m in future royalties from another Lear-designed aircraft called the Challenger which Canadair was building, in order to fund the project start-up.

In the wake of his death volunteers flocked to the Reno plant to join the project. "The concept of the Lear Fan fascinated engineers all over the U.S. and they all came here to Reno," says Moya Lear.

But by the end of 1979 that first tranche of money was already running out. Canadair dropped an option on the project to concentrate on building the Challenger. Mr Sam Auld, a Learavia executive, was sent to London with a mandate to raise new capital.

After detailed study and more delays, the new Conservative Government, desperate to create jobs in Northern Ireland, came up trumps. In February 1980 Mr Humphrey Atkins, Northern Ireland Secretary, announced that a deal had been struck.

A New York partnership of 200 wealthy individuals assembled by Oppenheimer, the Wall Street investment bank, put up $30m in return for royalty payments while the British Government agreed to a package of loans, grants and guarantees totalling $50m secured by a 40 per cent option on the Lear Fan project.

According to Mr Lear the British conditions were simple. "They said they would put up the $50m providing the aeroplane flew in 1980 and we kept 1,200 jobs in Belfast."

For a time things appeared to run smoothly.

But by late 1981, with the planned target for crucial Federal Aviation Authority (FAA) certification slipping because of unexpected problems, the money was running out again. In 1982 the project was refinanced with a package of new money from Britain and $60m from two Saudi princes.

From then on, Moya Lear lost effective control of the project and of the new companies created to manage it by Mr Bob Burch, a Denver businessman, who represented the Saudis'

As a result of the refinancing, the Saudis took 85 per cent of a new U.S.-based holding company called Lear Fan Holdings. The British Government had 5 per cent of the new company with other interests controlling the balance.

She says the first she knew about the project's dire straits was at a board meeting in New York last month. A week later at a second meeting in Los Angeles, Mr Burch told the board that the money had run out and the companies had to stop trading. The vote was unanimous. "There was no choice," says Mrs Lear.

Deep down, Moya Lear has always refused to give up on the Lear Fan dream. By setting up a new limited partnership "to negotiate for the rights to develop the Lear Fan 2100," she is hoping, once again, to accomplish what has eluded her for so long.

"I know the British Government did not want to put another pound into the project, and I don't blame them," she says, "But I know that someday the aircraft will be flying and when they see it they will know they had a part in it"

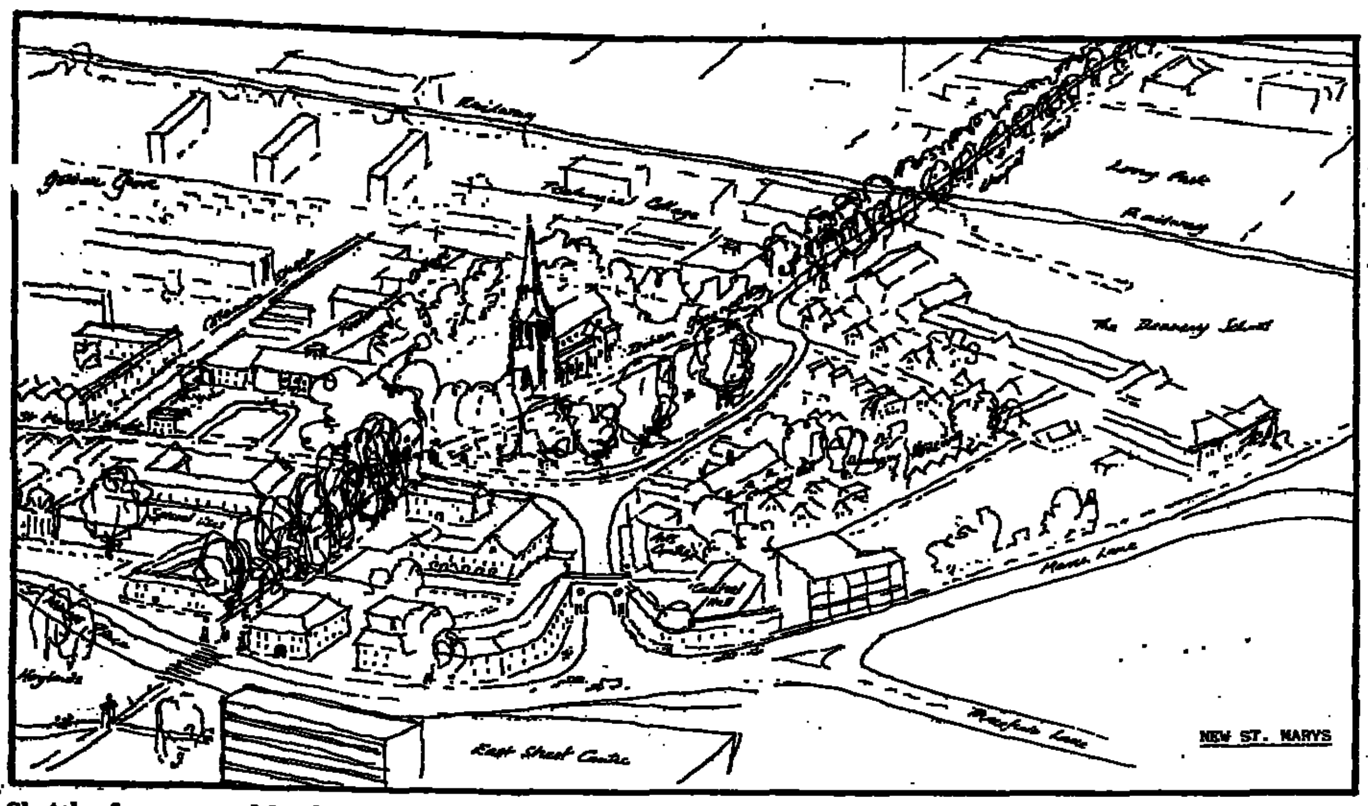
Even if the partnership fails in its attempt to turn the Lear Fan into a commercial success Moya Lear believes she will have lived up to her husband's dream.

"The bottom line," she says, "is that we have made an enormous contribution to the entire general aviation world because it has benefited from our mistakes and our triumphs."

THE ARTS

Architecture/Colin Amery

A suitable case for treatment



Sketch of a proposed boulevard for the St Mary's area of Southampton, drawn during the first CUDAT weekend

ST MARY'S in Southampton is one of those districts that suffers from all the mistakes and not many of the benefits of the attentions of the environmental professions. Although it is the site of the earliest Saxon settlement in the region, there is today little sign of its built history.

St Mary's has been cut off from the centre of Southampton by an underused, large dual-carriageway. It has been almost completely rebuilt after some bomb damage in World War II and subsequent "slum clearance." It retains the church of St Mary and the long ribbon of a high street with an open-air market at the centre.

Thirty years ago the population was about 3,000 homes; today it is some 900. There are two tower blocks, Albion Towers, suffering from some structural problems. The rest of the housing is reasonable low-rise flats and some houses.

The decline in population and the severing effect of the dual-carriageway have caused the main street, St Mary's Street, to become run down, with a slow spread of sex shops, amusement arcades and a degree of prostitution. In many ways St Mary's is typical of the inner fringes of many British cities. It does not have the problems of Brixton or Toxteth, but it certainly lacks a positive community image and a sense of optimism about the future.

On the first weekend in June it was this area of Southampton that found itself the subject of an likely amount of media and professional attention. What was going on?

The area had been selected to be the subject of the first CUDAT. To the uninitiated this is a new kind of multi-disciplinary team — a Community Urban Development Assistance Team—made up of volunteer professionals working under the umbrella of the Royal Institute of British Architects.

The team, in this case, consisted of an architect, an architect/planner, a sociologist, an economist and a traffic engineer, all working with administrative help from the RIBA.

They spent some five months researching the area and then held a series of public meetings over a weekend to produce an instant report which was presented to the community.

The idea of a CUDAT is part of the new climate, not just at the RIBA, but in all aspects of the design and environmnetal process. The new element—and it is amazing that it has to be described as new—is intensive consultations with the local communities. At last there is an acknowledgement that the professionals have not always been right in the past.

One member of this first CUDAT team said to me that he hoped to give the deprived communities as much professional help and advice and to consult them as much as he would any private client. It may seem that this is exactly what the professionals should have been doing all along—but the penny has taken a long time to drop.

The proceedings at Southampton may set the pattern for future experiments in participation and consultation. For how long it can remain a voluntary process is a worry, but the American experience has shown that professionals can mobilise a community so that they can, given the right advice, help themselves.

It is a first step to be taken seriously. The Prince of Wales sent a message to the people of St Mary's saying that they were, "tackling one of the major problems of our lifetime, that of making our cities good places to live and work in. . . ." The team has to be invited to visit an area by the community group and the local authority and this can cause problems. The implication behind the need for these special team of visiting firemen is that the exercise of traditional local authority planning has failed or that the bureaucracy has created a sense of helplessness.

The St Mary's team achieved a great deal. With the help of local students they presented a series of imaginative and attractive ideas for improving the area. They made a radical suggestion that half the dual carriageway should be turned into a car park to serve the market and the shops.

New links to the city centre and the river and new areas of housing to increase the area's housing choice were other long-term aims. Some of the suggestions, such as putting the new youth centre next door to the undertakers and not covering the market, were not well received and suggested inadequate research.

This raises the general principle of fielding a team of grandees who find it easy to present good proposals but are not so clear about how they should be carried out.

In St Mary's a special task force and an improvement trust (funded by local businesses) were suggested. There was a strong feeling however that some more permanent presence would be needed, perhaps a community architect or social worker to maintain the pressure and the level of consultation.

As an experiment the CUDAT deserves serious attention. Of course the first trial run took place in an area where the problems are soluble and the community involvement is encouraging. The local authority will have to examine the team's proposals and in six month's time there is a return visit to check on progress all round.

The most important achievement is the fact that there can be a complete change in the image of the professionals. I hope that it is more than skin deep and that the architects, in particular, will continue to move closer to the communities they are supposed to serve.

The irony of St Mary's in Southampton is that so many of the problems there had been created by the architects and planners in the first place. They are lucky to be given the second chance and this time there is a possibility they may listen.

La Cenerentola/Glyndebourne

David Murray

The Glyndebourne revival this summer of Rossini's *Cenerentola*, with Andy Hinds directing the original John Cox production, has recaptured its 1983 Cinderella. She is Kathleen Kuhlmann, the American mezzo who Royal Opera fans will remember in Handel's *Semele*. Her "Angelina" is a big, good-hearted girl, obviously capable of taking care of herself, vexed rather than downtrodden by her stepsisters. The voice is full and attractive, the coloraturasecure: her final "Non più mesta" was a particular success, as it must be. A slight hardness at the top of her range was much less noticeable than the confidence of her roulades.

As might be expected, pathos scarcely figures in this *Cenerentola*. The production does not encourage it. Simple comedy the order of the dayfli nothing in the interplay of characters is as elaborately detailed as the toy landscape with carriages that illustrates he storm-interlude. (Ronald Crichton reported here that it malfunctioned on the first night, and he suggested the moral that the audience might be allowed just to listen to Rossini's music. This time the machinery worked perfectly, and much of the music was accordingly covered by laughter and applause.) It makes an amiable evening—more demanding Rossinians might call it bland.

Around Miss Kuhlmann's smooth, temperate progress from ill fortune to good, the rest of the cast continue as before. Sesto Bruscantini's Don Magnifico remains the most vivid impersonation, doing his own well-seasoned thing; one feels little contact between him and the other principals, but that could be said of any of them. Marta Taddei and Laura Zannini are efficient as the stepsisters, reasonably ludicrous, not really menacing. Robert Gambill's Prince has a generally creditable style, and a tantalising resemblance to Neil in ITV's *Roll Over, Beethoven*.

The production does nothing to develop the role of Dandini, though Alessandro Corbelli's baritone strikes so effectively through the ensembles as to suggest an interesting unused potential. The mysterious philosopher Alidoro is also conventionally treated, but he acquires weight through Willard White's sonorous authority. The Glyndebourne male chorus were notably alert and well-tuned. The conductor James Judd was reliably neat, if not imaginative beyond the call of duty, and he paced the pause-for-bewilderment sextet to a comic nicety. There should, all the same, be room at Glyndebourne for exploring Rossini's characters more rewardingly than has been done: *La Cenerentola* can be affecting, and proportionately funnier.

Opening weekend/Aldeburgh

Max Loppert

The weather has been disagreeable, full of promise and subsequent disappointment, but in all other ways the 1985 Aldeburgh Festival has begun well. One senses a new charge of confident purpose in the air. Audiences are a happy mixture of newcomers and old hands (the red sold-out sticker is already flourished far more than at the same time last year); and the programme, while continuing to show a proper awareness of the great Aldeburgh musical traditions, already reflects the stimulating influences of its younger generation of artistic directors—Perahia, Knussen, Rattle.

As usual in recent years, Friday's opening took the form of an opera performance by the Britten-Pears School. In the Handel anniversary year it was from his operatic repertory, rather than from Britten's, that the choice has been made. *Rodelinda*, which comes at the end of that golden 12 months in the mid-1720s that had already produced *Julius Ceasar* and *Tamerlano*, is a work of wonderful richness, a study of marital devotion achieved with an abundance and depth of feeling that burst all the constraints of the form.

It is, however, a work intended for great singers — Handel wrote it, indeed, for the greatest of his day—a student performance, however carefully prepared, must inevitably lack the easy mastery of technique, style, and audience on which its composer counted. Act 1 took a long while to warm up; and though the power of an authentic Handel opera performance began to be developed thereafter, this owed more to the experience and control of the conductor, Steuart Bedford, than to any single singer on stage. It was a full text provided (all arias represented, though some only in first section), and it was a long evening in the Maltings.

That said, there were good things about it. The production by Basil Coleman, in decor consisting of no more than a few props, may have required rather a lot of posturing and filling-in in the non-vocal passages, but at least it kept faithfully and intellingently to the terms of the libretto. And there were promising young voices to be heard in the first cast (a second takes over next Friday). Mark Tucker, in the complex tenor villian role, was more than that: he is already an artist of sure, sharp style and clean delivery. As the heroine, Louise Camens revealed a voice of notable quality rather tenatively offered, with words very variable in their diction; as the alto castrato hero, allotted here to a counter-tenor, Christopher Royall was musical and sensitive, but somewhat stiff (the second counter-tenor of the cast, Nicholas Clapton in the confidant role, gave a more even account of himself). To hear the sublime, close-linked sequences of Act 2 — lovelorn reverie ending in sad, tender reconciliation — in this hall was no great hardship.

Saturday's chamber music concert at Snape was provided by the Vermeer Quartet from the U.S., one of the most distinguished now playing. The pure, technically impeccable tonally radiant approach was at its most remarkable in the three pieces from Mendelssohn's Op. 81: the blend of passion and cultivated address that Mendelssohn requires is seldom so finely judged. The same qualities of style came to the fore in the Berg *Lyric Suite*, though the effect in the first three movements was perhaps of slight restraint; full involvement came later on. After the interval, the Vermeer were joined by Mr Peraphia for a most exquisite account of the Dvorak Piano Quintet, spontaneous in its impulses, beguiling in all its details. Aldeburgh has again a splendid chamber pianist on call.

A new cultural focus in Vienna

Patrick Blum

Vienna is on the verge of a verge of a cultural revolution as discussions draw to a close about plans to reorganise the city's museums and transform one of its historical landmarks into a budding cultural centre similar in purpose, if not in style, to the Pompidou in Paris.

A decision to go ahead with the plans is expected to be taken before the end of the summer. Delicate negotiations are in progress between several ministries and the city of Vienna authorities to decide on the scale of the project and how it will be financed. Some estimates put the cost as high as Sch 3bn ($142m). The most likely outcome is that it will be jointly financed by the Federal Government and the city of Vienna.

At the heart of the plans is the transformation of the Messepalast, an impressive set of buildings built in the early 18th centure and formerly used as stables and coach houses for the imperial court but now used for trade fairs, into what is described as a "multi-functional cultural complex."

The palace would be restored, partly rebulit and extended to include a major museum, a new large hall for international exhibitions, and several adjoining halls for smaller permanent exhibitions. It may also include a film and photographic museum and libraries.

One idea is that the centre should become a lively meeting place where a vistor could enjoy a cup of Viennese coffee or have something to eat. Only a stone's throw from the Imperial Hofburg Palace and flanked on either sied by the musuems for art history and natural history, the new centre could become a major focal point for visitors.

The centre's main museum would be primarily devoted to Austrian 19th and 20th century art and display the works of some of Austria's most celebrated artists of the period such as Klimt, Schiele and Kokoschka. Many of Vienna's cultural treasures would find their way to the new centre and this would liberate badly needed space in several of the city's overcrowded and cramped museums. This has raised fears that some of the museums may be closed but officials insist that all existing museums and galleries would remain open, although there may be changes. The idea is to expand and improve facilities not to reduce them, one official says.

While details still have to be worked out the plans' broad outlines have the support of the whole government and of Dr Helmut Zilk, the influential Socialist Mayor of Vienna and former culture minister. Without his support the idea would flounder.

Dr Heinz Fischer, the Minister for Science and Research, one of the most enthusiastic suporters of the project, says it offers Vienna the "chance of a century" to carry out a major re-organisation of its cultural amenities.

Once agreement has been reached the government will organise an international competition to choose an architect who will be responsible for restoring listed parts of the palace and building additional room as well as designing the centre's interior.

The whole project is made possible because the lease on the palace, now held by the Wiener Messe Company which runs fairs there, will expire at the end of 1986.

Barring an unexpected last minute change of heart the project will go ahead. It will be a welcome addition to Vienna's already rich cultural scene and will certainly relieve some of the pressure on existing amenities and provide the city with a major cultural centre with plenty of room for large international exhibitions, something it clearly needs.

Every year more and more tourists come to Vienna drawn by its music, buildings, art and history. A lively cultural centre on the lines no wbeing discussed would provide a further attraction, both for the young and the not so young and liven up a part of the city which is otherwise deserted in the evenings.

Almeida Festival

David Murray

Festivals succeed one another at the Almeida Theatre in Islington with breathless speed, but the current one—an "International Festival of Contemporary Music and Performance"—promises to be outstanding. It began on Saturday, and will continue for a very full month; at its centre is American music from Charles Ives onward, with many American performers participating, and there is a healthy representation of new and recent music from Europe too. Amid a crammed schedule, the weekends offer extravagant feasts—music from morning far into the night, virtually non-stop

For t:e first concert Saturday afternoon, Oliver Knussen conducted the Capricorn Ensemble in a programme of Ives and Conlon Nancarrow, prefaced by Lou Harrison's gentle Eastern-impressionist epitaph "At the Tomb of Charles Ives." (Harrison and Nancarrow were both present—the Almeida just now is almost a conference of distinguished old experimenters.) The Nancarrow music all pre-dated his conversion to the pianola as his exclusive medium; the Ives was a generous selection from his theatre-orchestra sets of pieces, mostly founded on songs.

Some of the Ives sets have begun to be heard recently, but they are just emerging from the Ivesian workshops. When Ives died he left a large, notoriously complicated mass of manuscripts — palimpsests, really—and sketches and jottings; little by little, his loyal admirers have been reconstructing the intended music. Since Ives attracts some of America's best composers, the products are mostly fascinating, however notional their bases sometimes are. Where original songs are the starting-point, there are at least rich clues.

Knussen and Capricorn made splendid sense of the mall, from wry jocular numbers like "Charlie Rutlage" and "Ann Street" t oeerie invocations like "The Pond" and "Like a Sick Eagle" (strings oozing in quarter-tones). There were also the Four Ragtime Dances, hilarious excursions around movements from the First Piano Sonata, brilliantly fractured.

The Nancarrow pieces, more formal but sparky, provided further acquaintance with that intriguing inventor's development. They included a bright duet-arrangement of the Piano Sonatina heard in its solo form last month in the Elizabeth Hall, and local premieres of chamber music for winds-with-piano and for small orchestra. Real Nancarrow, player-piano music and an interview with the composer, comes next Saturday.

The performers of the Sonatina, Yvar Mikhashoff and Michael McCandless, re-appeared to man the seven-hour marathon of American piano music that followed. Not a mere stunt: I stayed long enough to discover that Mikhashoff is an excellent pianist, and highly knowledgeable about the astonishing American repertoire. It is he who has organised the "celebration of American experimental music," and that is a sound guarantee that it will go on as rewardingly as it has begun. June suddenly looks twice as interesting a musical month as one had expected.

The Princess of Cleves/ICA Theatre

Michael Coveney

Two men crouch in a wardrobe and a woman says "I love you." The doors have been shut. It is raining outside and a girl descends the large and dominating staircase. Half way down she stops at a hand basin and washes her hair. The mother of the first woman recalls her own formal and aristocratic wedding.

The action is set in a decrepit vestibule, some of the wallspace painted blue, some of the furniture high-tech, an upstage left classical grey door giving further access to this twilight world of dream and whimsy where querky anecdotes and tender passion mingle in the existentialist void. The show is the work of a cast of five and the ICA team of director Tim Albery, designers Antony McDonald and Nigel Prabhavalkar and, making a remarkable debut, writer Marty Cruickshank (an actress of 20 year's experience).

The show is nothing to do with Anne of Cleves, but the Prince and his Princess, Madame de Chartres (the mother) and the two visitors are all characters in a novel of Madame Lafayette once translated by Nancy Mitford.

The actors at first inhabit the mansion and are then overtaken by a strident buzz that signals no exit, a violently variable lighting plot occasionally ascribed to a power failure but normally indicative of a time switch, and the unprompted stories and outpourings of their companions. At the centre is the Princess's arid marriage to a man whose father has died and whose idea of a wedding feast is a sliced banana. The shifting loyalties lead to a marital interlude in the country, where the guests follow the couple and lend threatening overtones to a game of toy soldiers, thence to the closing ambiguous reception by the Princess, played by the crop-haired doggedly enigmatic Michele Smith, of the Duke's (Philippe Giraudeau) usurping proposal.

The Princess wants him to teach her to tap dance, but the Duke has cold feet. Such confidently deliberate anachronistic quips litter the evening which runs for a fairly gripping two and a half hours and is unlike anything else on offer in London theatre. It is good to see the striking, European-inspired visual style of Albery and McDonald (a potently developing partnership, this) wedded, on the whole successfully, to an idiomatic, peculiar and often funny new text.

There are standard lamps without their lamps, hanging naked bulbs in the manner of Jan Fabre, and a succession of curious, elliptical anecdotes most of which are based either in dream recollection or childhood memory. The show thus achieves an odd mixture of sealed-off private neurosis and confident hallucinatory scenic effects. For once, a visit to the theatre, where Sartre meets performance art, is a risky adventure, and a good thing too.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Music

June 7–13

ITALY

Rome: Auditorium of Via della Conciliazione: Orchestra and Choir of the Academy of St Cecilia, Beethoven's Fidelio (in concert form) conducted by Lorin Maazel (Mon). (6541044).

Milan: Teatro alla Scala: The violinist Salvatore Accardo playing Bach (Mon). (809126).

WEST GERMANY

Berlin, Philarmonie: Krystian Zimmerman, piano, and Kyung Wha Chung, violin. Beethoven, Schumann and Webern.

Frankfurt, Alte Oper: Mozart concert, conducted by Sir Georg Solti with the European Chamber Orchestra and the Welsh National Opera choir. Soloists are Kiri te Kanawa, Frederica von Stade, Goesta Winbergh and Aage Haugland (Thurs).

PARIS

Patricia Wise recital, Norman Shetler, piano: Schubert, Argento, Strauss (Mon). Théâtre de l'Athenee (7426727).

Alexis Weissenberg, piano: Bach – Italian Concerto, Goldberg Variations (Tue). Théâtre des Champs Elysées (7234777).

Ensemble Orchestral de Paris, conducted by Wilfried Boettcher, Gundula Janowitz, soprano: Mozart, Beethoven (Tue). Salle Pleyel (5610630).

Paul Kuentz choir and orchestra: Bach, Vivaldi, concertos for harpsichord and violins (Tue). Saint-Severin Church (6336761).

Amadeus Quartet: Beethoven (Wed). Théâtre des Champs Elysées (7234777).

New York Philharmonic Orchestra, conducted by Zubin Mehta: Mahler's 8th symphony (Thur). TMP-Châtelet (2330000).

Claudio Arrau, piano: Liszt, Beethoven, Schubert (Thur). Salle Pleyel (5610630).

Nouvel Orchestre Philharmonique, conducted by Leopold Hager, soloists and Radio France Choir: Mendelssohn's Lobgesang (Thur). Théâtre des Champs Elysées (7234777).

LONDON

Claudio Arrau, piano: Beethoven and Liszt. Royal Festival Hall (Mon). (9283191).

English Saxophone Quartet. Purcell Room (Mon). (9283191).

Philharmonia Orchestra conducted by Seiji Ozawa with Edith Wiens, soprano, Alfreda Hodgson, alto, Robert Tear, tenor, and Benjamin Luxon, bass. Mendelssohn's Elijah. Royal Festival Hall (Tue and Thur).

Academy of St Martin-in-the-Fields conducted by Neville Marriner with Radu Lupu, piano. Beethoven, Schumann and Schubert. Royal Festival Hall (Wed).

London Symphony Orchestra conducted by Lorin Maazel. Mozart and Tchaikovsky. Barbican Hall (Thur). (6388891).

Ronnie Scott's, Frith Street; Jazz singer Better Carter. (4390747).

NETHERLANDS

Amsterdam, De IJsbreker (Weesperzijde 23). Ensemble d'Ondes Martenot de Montreal. Ravel, Boucher, Murail, Messiaen, Coulombe St-Marcoux, Vivier (Tue. Wed). (681805).

Rotterdam, De Doelen. James Conlon conducting the Rotterdam Philharmonic with Salvatore Accardo, violin. Beethoven (Wed). (142911).

Utrecht, Muziekcentrum Vredenburg. The Utrecht Symphony Orchestra conducted by Hubert Soudant, with Jean-Bernard Pommier, piano. Beethoven (Wed). (314544).

The Hague, Congregebouw. Heinz Wallberg conducting the Hague Philharmonic, with Josef Rissin, violin. Respighi, Saint-Säens, Brahms (Thur). (548000).

The Hague, Diligentia. The 2nd Dutch music festival, featuring the works of Dutch composers (Wed). (464308).

VIENNA

Berlin Chamber Orchestra, conducted by Peter Shreier, with Arleen Auger, soprano, Carolyn Watkinson, alto, Eberhard Buchner, tenor, Robert Holl, bass, and the Arnold Schonberg choir. Bach cantatas. Konzerthaus Mozart Saal. (Mon and Thur).

New York Philharmonic Orchestra, conducted by Zubin Metha. Bach and Mahler. Konzerthaus (Tue).

Vienna Symphony Orchestra, conducted by Wolfgang Sawallisch, with Oleg Kagan, violin, and Natalia Gutzman, cello. Vivaldi, Bischof and Bruckner. Konzerthaus. (Wed).

CHICAGO

Chicago Symphony (Orchestra Hall): Conductor and piano soloist, Michael Tilson Thomas; Grainger, Griffes, Chabrier, Varese, Del Tredici: March to Tonality (world premiere), Gershwin, Delius, Respighi (Thur). (4358122).

Saleroom/Antony Thorncroft

Christie's name change

Christie's Contemporary Art is seeking a quotation on the Unlisted Securities Market this summer. It is still unusual for companies in the art world to look for outside cash, although Connaught Brown, a gallery specialising in Post-Impressionist art, which opens in Albemarle Street on June 18, is being financed under the Business Expansion Scheme.

Christ:·'s Contemporary Art, the largest dealer in prints in the UK, perhaps in the world, was started in 1972 with Christie's, the auctioneers, taking a majority shareholding. Over the years the relationship has caused some confusion and the three non-Christie directors, and the auction house, have mutually agreed on a USM quote that will clear the air. Gradually Christie's will run down its interest in the company.

This year around 60 per cent of Christie's Contemporary Art's business will be done abroad: it has retail outlets in New York and, shortly, Tokyo. Although the bulk of the 30,000 prints it sells each year go for less than £150, and many for as little as £30, it is building up a reputation at the higher end of the market. It can offer David Hockney prints at up to $10,000 and it also has a large stock of Henry Moore prints, drawings and bronzes.

Much of the :usiness is done through mail order and the 1,000 select names on its Modern Masters list are offered, typically, prints by Moore at up to £8,000; by Chagall at £6,750; Picasso at up to £3,500; as well as names like Rouault, Miro, Matisse and Braque. But, after initial experiments with *avant garde* works, the run-of-the-mill prints are aimed at first time buyers, looking for home decoration.

In the U.S. contemporary art has a much more pc\ular reputation, even if the print world is wracked by the occasional scandal. In the UK the trade is more modest but with few malpractices. Print runs are usually confined to 150 and the original blocks are then destroyed.

Christie's Contemporary Art is seeking a valuation in excess of £3m. It wants the cash for overseas expansion, for diversification into original works of art, and for acquiring expensive works in a sector of the art market which has experienced rapid price appreciation for favoured artists. There is the constant problem for a dealer that buying new stock usually means paying higher prices than the return from the items you sell.

In the next few weeks the partners in Christie's Contemporary Art will be wrestling with the most important problem of all: finding a new name which will compensate for the loss of a most respectable prop.

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BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Monday June 10 1985

A political aircraft

THE LOGIC behind the proposed European Fighter Aircraft is impeccable. If the five participating countries—France, the UK, Germany, Italy and Spain—can standardise their requirements and achieve long production runs, they should be able to match the costs of American aircraft builders. Not only will they fulfil their own military needs more cheaply than through a series of national projects; they will also be well placed to compete for export business.

The great danger, however, is that the EFA will become a political aircraft, an unhappy compromise between conflicting national objectives, in which the overriding aim will be, not to satisfy a military requirement at the lowest possible cost, but to meet the aspirations of the defence lobbies in each of the partner countries.

Each country will demand not simply its fair share of the whole project, but a fair share of all those elements of the project which, because of technology or jobs potential, are deemed to be essential to the national interest. The result will be inefficiency and high cost.

Prototypes

The best way of avoiding this outcome would be for the two main design protaganists, Dassault of France and British Aerospace of the UK, to build the prototypes which each has been working on, for the two aircraft to be tested to see which is better, and for the successful contender to be appointed prime contractor for the entire project. In selecting sub-contractors, the prime contractor would take into acount the need to allocate work according to each country's financial share of the project, but individual orders would be placed as far as possible on the basis of competition and comway, the cost disadvantages of collaboration can be kept to a minimum.

In view of the distrust which exists between the French and British industries and the apparently wide difference of view over the task which the new aircraft is expected to perform, it may be quite wrong to try to reconcile the disagreements in a single aircraft simply for the sake of European collaboration. There is no point in going ahead with an EFA unless it is designed, organised and managed, according to economic principles.

There are, after all, several options for replacing Europe's existing fighter aircraft. The costs and benefits associated with each of them should be clearly identified. They include more limited collaboration between two or three countries, go-it-alone national projects and buying from the U.S.

The last should certainly not be ruled out. It is not self-evident that Europe's resources are best devoted to sectors of the defence market where the Americans have a clear comparative advantage. The recent Awacs saga in the UK—where the choice of an all-British solution in preference to an American system has led to serious cost over-runs and technical difficulties—provides a powerful warning. Arguments that an individual country—or even Europe as a whole—must undertake a particular project for reasons of employment, technological spin-off or a vague desire to be independent of the Americans, need to be treated with caution.

Collaboration, if managed efficiently, can yield substantial economies. Where only two countries are involved, as in the Anglo-French helicopter programme, the management problems are less severe; in that case, the French company was prime contractor for two aircraft, the British company for one.

The proposed European fighter is far more complex and calls for a greater willingness on the part of the participants to subordinate national interests to those of the group. If agreement can only be reached by concessions to national sensibilities which undermine the economic rationale of collaboration, it would be better not to do it.

In the end, the integration of the European defence industry will only make progress if individual countries cease to regard their national defence contractors as inviolable assets which have to be preserved in their present form. Only through competition and interdependence, so that each country does what it is best at, will an efficient European industry be created.

The regulation of British Gas

IT NOW seems likely that legislation to privatise British Gas will be among the Government's most urgent priorities when Parliament returns from the summer recess.

This urgency stems partly from the feeling that the privatisation process is likely to be complex and to require time, but more from a growing sense within the Government that the sale of British Gas is both a radical and popular measure, as well as being a rewarding one for the Treasury.

No doubt the privatisation will turn out to be popular, in the sense that the Government will follow its Telecom model of offering bargain-priced shares to gas consumers. Whether that popularity lasts will depend very much on the success of the regulatory body appointed to oversee the industry's affairs.

Radical option

Since the Government has resisted the truly radical option of breaking up the corporation, the role of this agency will be crucial. So it is worrying to discover a strengthening conviction within Whitehall that the regulatory body will be a simple creature, comparable to Oftel in the telecommunications, charged chiefly with the mission of applying a formula based on inflation plus or minus "x" to gas tariffs.

Such an approach would, naturally, be attractive both to British Gas itself, which wants minimum interference in its affairs, and to those responsible for making the share sale a success in the market.

But it is not an approach likely to be effective in addressing the range of issues which will be critical to the future of the gas industry, such as investment in supplies; policy on gas trade; management efficiency; competition with other energy sources and energy conservation.

British Gas will argue that these are all matters which should be left to the industry's management, but so long as there is no competition within the gas industry and only limited competition between gas and two other state-owned industries—electricity and coal—this is disingenuous. Somebody has to set the competitive framework between the energy utilities and Ofgas is certain to play a major role.

Ofgas's job will also be more difficult than Oftel's in that telecommunications, because of technology, faces the prospect of declining unit cost of production. Gas, a depleting resource, albeit one currently in surplus in international markets, is bound at some point to rise in price more rapidly than inflation. Indeed, it can be argued that the UK retail price of gas should rise in real terms in any case in order to reflect its true marginal cost of production.

The point is that gas tariffs will continue to be controversial. There are no hard and fast rules of thumb which can be applied to gas prices and in practice a utility like British Gas is driven primarily by its desire to enhance its market share, which means undercutting electricity.

Ofgas will necessarily, find itself embroiled in the tariffs question, but it will quickly discover that the application of an "inflation minus" or a "costs plus" formula is an inadequate mechanism for getting the best performance out of British Gas and the best deal for consumers. Ofgas is bound to be interested in British Gas's sources of supply and the prices it will pay, just as an electric utility commission could not fail to be interested in the relative economics of nuclear and coal-fired power stations. It is in the shrewdness of these major decisions and the efficiency of day to day management that tariffs are in practice determined.

Since the Government has apparently decided to create a private sector gas monopoly, it is vital that these broadly defined regulatory issues receive careful consideration.

There is no organisation which speaks for the industrial gas user and the National Gas Consumers Council has so far had little to say on privatisation. The likelihood on present trends, therefore, is that the regulation issue will not in practice be debated publicly until the gas privatisation Bill is in committee, by which time the Government may have advanced too far down its chosen road to be prepared to consider alternative directions.

This is exactly the sort of situation which should attract the attention of a Commons select committee. The Energy Committee has shown itself flexible and, on occasion, fast-moving on other issues, such as the future of the British National Oil Corporation. It should now move with similar firmness to consider the question of gas regulation.

THE SINGAPORE ECONOMY

The new Raffles Centre in Singapore dwarfs the famous Raffles Hotel. Right: Mr Lee Kuan Yew, the Prime Minister

Why the search is on for fresh opportunities

By Chris Sherwell in Singapore

SIX months ago, Singapore was in ebullient mood. It was proudly celebrating 25 years of highly-successful self-rule. Economic growth was again waxing above 8 per cent, and Mr Lee Kuan Yew, the Prime Minister, was heading for his seventh general election victory in a row.

Today, the exuberance is evaporating. The tiny island state is heading for its lowest growth in a decade, and popular support for the ruling People's Action Party is visibly ebbing, as the election showed. After years of quiet achievement, Singapore's 2.5m people are worrying about an uncertain future.

The country has experienced such phases before, but this is different. The "old guard" led by Mr Lee has begun to transfer the political reins to a carefully-nurtured younger generation which must still prove itself. Singapore has also reached a point at which it can no longer be called a developing country, yet its best opportunities for growth remain unclear and the economy itself suddenly appears to be faltering.

The most serious indication of the current economic reverse was revealed in growth figures last month. Since 1973 Singapore's annual growth rate has dipped below 7 per cent only three times, and below 6 per cent just once, in 1975; but in the first quarter of this year growth in gross domestic product slowed to an annual rate of 3 per cent, and it will now take a substantial pick-up in the U.S. for Singapore to reach the low end of the 5-7 per cent range forecast by Mr Lee.

This dependence on the U.S., seen also in South Korea and Taiwan, is gratifying in as much as the U.S. is the world's most dynamic market; but it is worrying when, as in the first quarter, it entails a contraction in the important manufacturing sector. This worry is compounded by domestic developments already in train: a slowdown in construction, a slump in all sectors of the property market, a sharp decline in retail business and a depressed stock market.

Already bankruptcies are up a fifth on last year, lay-offs by a half. Factories are going on to shorter working weeks, and bankers are increasingly jittery. Most businessmen expect the sluggishness to continue and are complaining more loudly about the high costs they face. Singapore's attractive location, efficient infrastructure and investment incentives are all very well, say foreign multinationals, but less important than making a profit.

Older industries are in retreat and need replacing

The authorities take the complaints seriously. This year they have abolished a 2 per cent payroll tax, halved the 4 per cent contributions to a skills development fund and promised there will be no further increase in the crippling contributions to the Central Provident Fund made by employers and employees, which amount to 50 per cent of an employee's wage. The measures have at least reduced the high non-discretionary element of an employer's wage costs.

In the property sector, the Government has lowered the development charges it levies on new projects and is considering a reduction in property tax. It abandoned last year's sale of development land and may do the same again this year. It has already offered earlier land purchasers a three-year moratorium on their repayments.

On top of this, a major government agency has reduced its rents, the Telecommunications Authority has lowered its international telephone and telex rates and the Singapore port authority has cut its charges. There has even been public pressure on the banks not to pull lines of credit too hastily, despite a couple of sizeable corporate crashes.

Singapore is nevertheless facing a structural change which demands more fundamental responses. The country's infrastructure — offices, housing, utilities, telecommunications — is virtually complete, and its banking system, currency and reserves are now quite as sound as any in the world. Older, established industries like refining and shiprepair are meanwhile in retreat because of overcapacity and intense competition, and need replacing.

The government has tried to prepare for this moment by using a high wage policy to force low-cost, labour-intensive, low-technology industries into neighbouring Indonesia, Malaysia and Thailand, which have an advantage in being more populous. In their place it has managed to attract high value-added, high-technology industries like electronics, which demand higher skills and offer higher returns to all.

The success of this policy has simply lent urgency to the question of where the country goes from here. With more money in people's pockets—per capita GNP is now at a European-style level of US$6,200 per year—Singapore is going to find it increasingly difficult to retain its trade privileges under the Generalised Scheme of Preferences. Earlier this year New Zealand became the first country to "graduate" Singapore; the U.S., EEC and Australia will eventually follow.

To help decide future directions, the government has created a 12-man "Economic Committee" to review Singapore's original 10-year development plan for the 1980s. Headed by Mr Lee's 32-year-old son, Brig-Gen Lee Hsien Loong, who is a Junior Minister, it is supposed to reappraise the constraints on growth, identify new opportunities and report back before the end of the year.

Even now, high-powered sub-committees are hard at work, and some are clearly tackling some basic issues. What is not clear is whether their proposals for reform will ever be accepted, let alone implemented.

One example is the financial sector, which now occupies more than 12 per cent of the country's GDP and regularly contributes a fifth of its real growth. Singapore is the most important international financial centre in terms of lending after London, New York, Tokyo, Paris and the Bahamas. It also has Asia's most important financial futures market.

It faces new challenges from liberalising forces in Tokyo and Sydney, and from free-wheeling Hong Kong, which has long been ahead in arranging loan syndications and attracting fund management.

Singapore wants to close this gap. Its stout efforts in loan syndication over the past two years have unfortunately coincided with a fall-off in international lending. In fund-management, however, it has persistently failed to resolve a difference of opinion between the powerful Monetary Authority, the regulating agency, and the equally powerful Inland Revenue, over taxation of profits made by Singapore-based fund managers from investment in local stocks.

A favourable decision on this issue would attract foreign fund managers to Singapore and reinforce deregulation pressures which are building in the local Stock Exchange—after Tokyo, the biggest in Asia along with Hong Kong. It might also stimulate the right climate for fundamental changes being mooted in the way CPF funds are managed, and—ideally—allow the creation of a gilts market. The government, like other modern governments, would then lose its monopoly on CPF funds and compete in the market.

Unfortunately there are only vague assurances at present that some of the less radical of these ideas are under consideration, and the financial community finds this discouraging because the ideas themselves for developing the capital market have been put up to the authorities for at least five years. As for the suggestion that the government could build up its vast reserves (now U.S.$10bn minimum) less frantically, this is dismissed. "They are our paddy fields, our only resources to fall back on," says Dr Richard Hu, the Finance Minister.

If some ideas are ruled out of court, however, not all are. At a more general level the government is keen to see Singaporeans, native entrepreneurial talents channelled away from the conventional areas of property, retailing and general trading and into small-scale high-tech industries which need venture capital. That is why Dr Hu is in favour of an unlisted securities market in Singapore.

Abroad, the government and many businessmen now see exciting opportunities developing not only in other parts of South-East Asia but in China, where Singapore is peculiarly well-placed to do business, and in India, which shows signs of opening its doors under Mr Rajiv Gandhi. Singapore needs relatively small niches in such huge markets to make up for any losses in the U.S. or Europe.

As part of its strategy, the government wants to leave more initiative to the private sector, but it is also nervous about the internal consequences of its overall plans. While it wants Singapore to be a "brain centre" providing capital, technology and services to the region, it worries about reinforcing strains which modernity is already imposing on Singapore society and relaxing too many domestic controls, political and economic.

For Mr Lee's political heirs, headed by Mr Goh Chok Tong,

The strains of modernity on society

the 44-year-old first Deputy Prime Minister, these questions have been made no easier by last December's election and the experience since. Already they have had to watch their President leave office as a disgraced alcoholic, reverse a controversial education policy favouring children of graduate mothers and climb down over a taxi fare rise. Recently an opposition rally attracted large crowds, even though the critics have few answers of their own.

If Singapore's people are talking more politics than ever, they are doing so from a fortunate position. Incomes are high, the currency is solid, the inflation rate is around 2½ per cent, vacancies outnumber job losses and there is no serious external threat. Their spirits may be low, but their difficulties are mainly a consequence of their success. As before, their adaptability must see them through.

Men and Matters

Teller's troubles

"I have discovered the most inert substance in the world," Dr Edward Teller announced as he arrived in London for an Oxford Union discussion on Friday. "It is the human brain."

What is so frustrating for the gravel-voiced physicist, co-inventor of the H-bomb, and at 77 still one of the most fertile minds of American science, is how to persuade other scientists to accept the validity of the Star Wars' scenario.

Too many, he fumes, have simply accepted conclusions of the 1960s that it is impossible to combat a major nuclear missile attack. They will not recognise how far technology has marched on — faster weapons, faster computers, over-the-horizon detectors.

Teller says he was also a sceptic until five years ago. His trouble now, he adds, is that most of the technology is highly classified while most of his eminent critics—such as the 50 or so Nobel prizewinners who recently signed a letter of disbelief—are not security cleared.

Worse still, some of the few who are cleared are flatly refusing to be briefed on Star Wars.

The mind that has held the attention of U.S. Presidents since the 1940s is now hard at work devising demonstrations which will convince the scientific world at large that key parts of the technology once thought impossible, really are within grasp today.

He might try his powers of persuasion on a U.S.-based body of scientists which will be meeting in London later this month.

The Committee for the Scientific Investigation of Claims of the Paranormal gets very heated about the readiness of people generally—including a few scientists—to believe in astrology, flying saucers, little green men and ghosts.

Some of its members recently staged a public demo showing that to learn the secrets of walking on red hot coals, you do not need to pay the big initiation fees demanded by some cults. It is merely a matter of knowing a little physics and keeping the feet moving "reasonably quickly."

At laser speed, over the horizon, if I am ever asked to try it.

Lion's share

There are any number of good reasons why Hong Kong has been through such turmoil in the past few years—with a property market collapse, nail-biting negotiations over a resumption of Chinese sovereignty, and banking failures like that of the Overseas Trust Bank last week.

But what is, for many locals, by far the most threatening cause of trouble was at last put to rights this weekend. The massive bronze lions which traditionally stand guard over the fortunes of the Hongkong and Shanghai Banking Corporation were restored to their rightful position at the portals of the bank's new headquarters in the territory's Central district.

For the past four years, while the multi-billion dollar aluminium and glass building has been under construction, the two one-ton lions have been in temporary residence in gardens near the old headquarters.

Hong Kong's fiercely superstitious population, which has seen the lions as symbols of prosperity, long life and good luck ever since they were installed in the early 1930s, has been convinced that this dislocation has been the primary cause of the economic and political turbulence.

There were immense sighs of relief when the lions were put back in their proper place on Saturday. And great care was taken to ensure they were in exactly the right spot. Geomancers were employed to see that their alignment was in perfect harmony with the "fung shui" (literally wind and water) at work in the vicinity.

Among those lending a hand in the ceremony were Michael Sandberg, chairman of the Hongkong Bank, and a number of other senior bank executives. Since it is they who, on the Government's behalf, must pick up the pieces after the Overseas Trust Bank collapse, they performed their parts in the ritual with some earnestness.

Hogg's back

The political career of Douglas Hogg—Lord Hailsham's son and Tory MP for Mrs Thatcher's home-town, Grantham—had appeared in the doldrums when he resigned as an assistant Government whip last October after an uneasy 18 months.

So there was a good deal of wry admiration at Westminster on Friday at the prominent part he played in blocking the unprecedented procedural move to permit unlimited debate on Enoch Powell's Bill to ban experiments on embryos.

Many MPs were surprised when Hogg was appointed a whip in the first place since, like his father, he is not naturally the silent type, as whips have to be, or particularly subtle. He managed to annoy a number of the MPs in his charge, and a few ministers, by his blunt approach. On one occasion, he allegedly told one senior backbencher that while the Queen might have knighted him, she could not make him a gentleman.

So it was not unexpected when Hogg quit to "play a more prominent role in parliamentary and public debate." This has liberated his talents as a forceful, though at times rather bombastic, orator, especially on legal and civil rights issues.

Friday's events allowed him to use those talents to the full, and his skill as a highly partisan behind-the-scenes organiser. The result was a clear victory for Hogg and his Labour and other allies.

The trouble is that such battles, and the qualities they require, are a rarity at Westminster. Hogg may have to wait a long time for his next chance in the limelight.

Honorary consul

Though accountants seem to get their fingers into every pie these days, it is still surprising to find one called upon to unravel the affairs of a Swedish sailor who jumped a Polish ship in West Africa, then got married in Gambia, and finally committed bigamy in Sierra Leone.

This was just one of the unusual jobs that came the way of Stewart Baird, a partner in the firm of Pannell Kerr Forster, during the past five years while serving as Sweden's honorary consul in Sierra Leone. For those services King Carl XVI Gustaf has made Baird an Officer of the Royal Order of the Polar Star.

Baird, a Scot, has just returned to the UK to head PKF's insolvency practice in the Home Counties, after 18 years in West Africa for the firm. He was senior resident partner in Sierra Leone for the last 13 years, involved mainly in work for the African Government.

"The approach from the Swedish Government was a surprise," he says. "I think they asked me because I'd been on the spot for a while—and I had done some work for Swedish investors on tourism development." And the Marriage Guidance Council?

Observer

BASE LENDING RATES

A.B.N. Bank	12½%	■ Hill Samuel	§12½%
Allied Irish Bank	12½%	C. Hoare & Co.	12½%
American Express Bk.	12½%	Hongkong & Shanghai	12½%
■ Henry Ansbacher	12½%	Johnson Matthey Bkrs.	13 %
Amro Bank	12½%	Knowsley & Co. Ltd.	13½%
Associates Cap. Corp.	13 %	Lloyds Bank	12½%
Banco de Bilbao	12½%	Edward Manson & Co.	13½%
Bank Hapoalim	12½%	Meghraj & Sons Ltd.	12½%
BCCI	12½%	Midland Bank	12½%
Bank of Ireland	12½%	■ Morgan Grenfell	12½%
Bank of Cyprus	12½%	Mount-Credit Corp. Ltd.	12½%
Bank of India	12½%	National Bk. of Kuwait	12½%
Bank of Scotland	12½%	National Girobank	12½%
Banque Belge Ltd.	12½%	National Westminster	12½%
Barclays Bank	12½%	Northern Bank Ltd.	12½%
Beneficial Trust Ltd.	13½%	Norwich Gen. Trust	12½%
Brit. Bank of Mid. East	12½%	People's Trust	14 %
■ Brown Shipley	12½%	Provincial Trust Ltd.	13½%
CL Bank Nederland	12½%	R. Raphael & Sons	12½%
Canada Permanent	12½%	P. S. Refson	12½%
Cayzer Ltd.	12½%	Roxburghe Guarantee	13½%
Cedar Holdings	13 %	Royal Bank of Scotland	12½%
■ Charterhouse Japhet	12½%	Royal Trust Co. Canada	12½%
Choulartons**		■ J. Henry Schroder Wagg	12½%
Citibank NA	12½%	Standard Chartered	‖12½%
Citibank Savings	¶12½%	TCB	12½%
Clydesdale Bank	12½%	Trustee Savings Bank	12½%
C. E. Coates & Co. Ltd.	13½%	United Bank of Kuwait	12½%
Comm. Bk. N. East	13 %	United Mizrahi Bank	12½%
Consolidated Credits	12½%	Westpac Banking Corp.	13 %
Co-operative Bank	*12½%	Whiteaway Laidlaw	13½%
The Cyprus Popular Bk.	12½%	Williams & Glyn's	12½%
Dunbar & Co. Ltd.	12½%	Wintrust Secs. Ltd.	12½%
Duncan Lawrie	12½%	Yorkshire Bank	12½%
E. T. Trust	13 %		
Exeter Trust Ltd.	13½%		
First Nat. Fin. Corp.	13½%		
First Nat. Secs. Ltd.	13½%		
■ Robert Fleming & Co.	12½%		
Robert Fraser & Ptns.	13½%		
Grindlays Bank	‡12½%		
■ Guinness Mahon	12½%		
■ Hambros Bank	12½%		
Heritable & Gen. Trust	12½%		

■ Members of the Accepting Houses Committee.
* 7 day deposits 9½%, 1 month 10½%. Top Tier—£2,500+ at 3 monthly notice 12½%. At call when £10,000+ remains deposited.
‡ Call deposits £1,000 and over 9½% gross.
¶ 21-day deposits over £1,000 10½%.
† Mortgage base rate.
** See Provincial Trust Ltd.
§ Demand deposits 9½%.

FOREIGN AFFAIRS

Curious extra costs of defence

By Ian Davidson

BRITISH defence policy faces a dilemma: a squeeze between the aspirations of policito-military strategy, and the constraints of budgetary rigour. But it is not certain that this dilemma, or its consequences, are what they are usually thought to be.

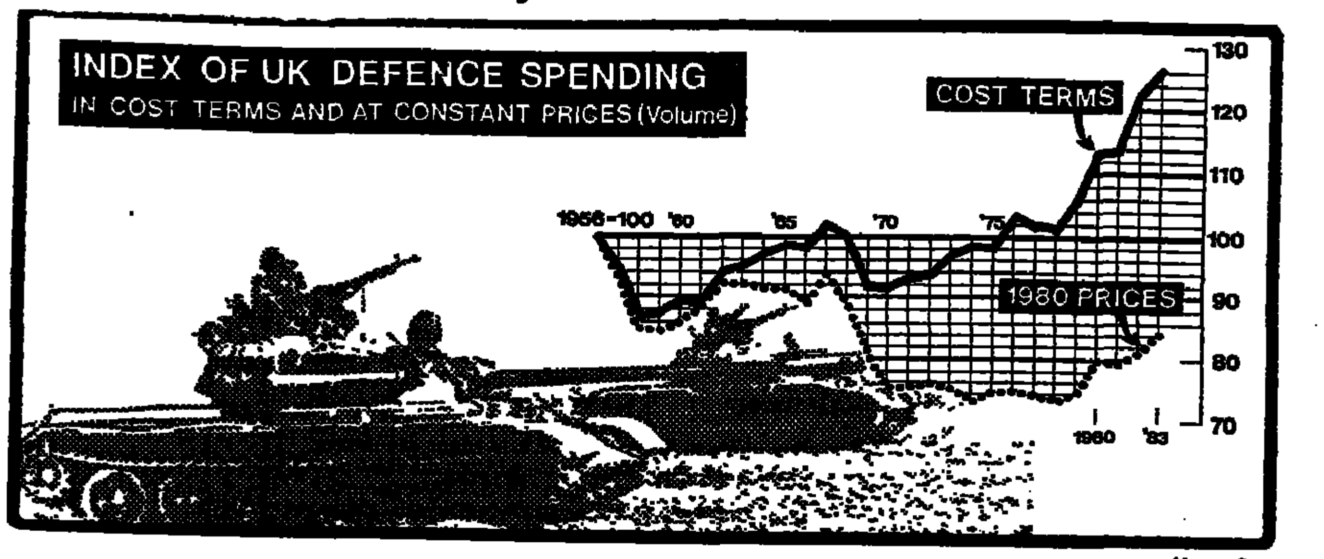
On the politico-military front, there is a general consensus that Europe would be better off if the Alliance could reduce its dependence on nuclear weapons, by increasing the effectiveness of its conventional defence. On the face of it, this must require higher military expenditure, since conventional defence costs more than nuclear weapons.

But on the budgetary front, there is no prospect of more money for defence. After six years in which British defence spending has grown by more than a fifth in real terms, the government has abandoned its previous commitment to real increases of 3 per cent a year. After this year, the Ministry of Defence faces the prospect of "level funding."

Today, the House of Commons Defence Committee publishes its report on this funding dilemma. The Defence Ministry has sought to give the soothing impression that it will have reasonable leeway for "flexibility" in future procurement spending. But the committee's report is expected to take a sceptical view of these assurances, and some of its members at least are reported to fear that "flexibility" will turn out to be just a euphemism for stealthy cuts in defence capability.

On the face of it, cuts would seem inevitable, sooner or later. It is by now a notorious constant in all discussions of the subject that defence equipment costs rise substantially faster than the general rate of inflation. If defence spending even keeps pace with general inflation, then defence equipment procurement must surely suffer.

In addition, the UK faces the additional costs of replacing the Polaris nuclear deterrent submarines with the new Trident D5 submarines, on which expenditure will rise steeply from now until the early years of the next decade. Despite the passage of time and the shift in the sterling-dollar exchange rate, the Ministry of Defence continues to claim, in its latest Statement on the Defence Estimates, that over the period of is procurement Trident will still only cost *on average* 3 per cent of the total defence budget and 6 per cent of the defence equipment budget.



Martyn Barnes

A new study from the School of Peace Studies at Bradford University takes an altogether more apocalyptic view. If there is to be level funding, it says, and if current expenditure on such items as manpower remains on its present track, then by the end of this decade expenditure on non-Trident procurement would have to fall by 35 per cent. "A cut of this magnitude is likely to prove unacceptable," it adds, somewhat superfluously.

If, onthe other hand, room for Trident were to be made by cuts across the board, this would mean a reduction in the size of the armed forces, from 326,000 to 289,00, and cuts in, or threats to, existing commitments. The most likely target would be the navy, as in the pre-Falklands defence review. Yet Britain's Fortress Falklands policy suggests that the scope for naval cuts is less now than it seemed to be then.

(Incidentally, I have heard a new variant of the value-for-money argument in favour of Trident. In the past, the Ministry has implied that the new submarines would be remarkably cheap, because they would cost less than the Tornado aircraft programme. The new version, offered tongue-in-cheek by a former ministry official, is that Trident will be wonderfully economical because, over the life of the system, it will cost less than the defence of the Falkland Islands.)

The Bradford predictions are almost certainly too melodramatic. After all, the very substantial increases in real defence spending in recent years mean that, even with level funding, the annual flow of money into defence procurement is now at a high level, especially since the proportion of the defence budget going on equipment has also increased. Nevertheless, it seems hard to deny the general proposition that there must be some tension between level funding and the insertion of a major, multi-year programme like Trident; and this tension is likely to be more acute if the relative price effect of defence inflation is taken to be a fact of life.

A new study of British defence procurement spending, by Malcolm Levitt for the National Institute of Economic and Social Research, finds that defence inflation is indeed a fact of life. But it does not find that it is an unavoidable fact of life, as immutable as it might be regrettable, like the rain in Scotland.

On the contrary, his investigations suggest that industries which are heavily dependent on the gravy from government defence contracts are demonstrably less efficient by a whole series of measures than their counterparts in the ordinary civilian market place.

Mr Levitt's study does not suggest that British defence contractors engage in the kind of heroic rip-offs which have recently emerged in the U.S., but then his is not that kind of investigation. His technique is to examine different sectors of British industry, comparing the performance indicators of those which are heavily dependent on defence contracts with those which are not. This might seem a rough and ready approach, which makes no attempt to deive into the performance of individual firms. By the same token, it is all the more interesting that by many significant yard sticks the defence-dependent sectors show up badly.

The standard excuses for defence equipment inflation fall into three categories: leading-edge technology, vitiated by over-specification and frequent changes in specification; short production runs; and the exchange rate. These factors may play a part, though Mr Levitt takes a sceptical view. His analysis suggests that there is a more prosaic explanation: below-average efficiency.

Levitt concentrates on three industrial sectors which are particularly dependent on defence spending: aerospace, where the proportion of defence sales to total sales is 46.8 per cent; shipbuilding, where it is 21.2 per cent; and radio, radar and electronic capital equipment, 33.2 per cent. What makes this third category particularly interesting, is that its output of *components* is much less dependent on defence sales—only 5.2 per cent.

Moreover, the electronic and telecommunications industry has become increasingly dependent on the government for the funding of research and development, rising from 37 per cent in 1968 to 54 per cent in 1981. This relative dependence on government-funded R & D is much greater than in France, Germany, Japan or the U.S. As if in consequence, total R & D in the sector is lower in Britain than in these other countries, because companies spend, in absolute terms, much less of their own money on it than their foreign competitors.

A couple of years ago, a former chief government scientist, Sir Euan Maddock, did a study of electronic companies ranked according to their defence dependence. He found that those which were most dependent had no independent long-run objectives, admitted that they lacked competitive entrepreneurial skills, and felt uncomfortable with civil customers. He concluded that "the likelihood of these companies making a major contribution in the civil area (other than aerospace) is vanishingly small."

The Levitt study goes on to show that defence-dependent industrial sectors invest less than their civil counterparts, and have lower productivity. This productivity contrast is particularly marked in the electronic industry: for radio and electronic *components*, productivity rose between 1976 and 1981 by 8.7 per cent a year; but for radio and radar *capital goods*, it fell by 0.6 per cent a year.

The productivity gap shows up in the discrepancy between defence and civil pricing. Between 1979 and 1983 general manufacturing input costs rose 56 per cent, but output prices went up by less than 42 per cent, indicating a productivity improvement of 14 per cent. Defence procurement prices over the same period went up by 52 per cent.

This pricing gulf seems to appear even with items where the high-technology argument is at its weakest. For example, the prices of civilian vehicles rose by less than 35 per cent, but those for non-fighting military vehicles rose by over 45 per cent. Strangest of all, the price of petrol and oil for defence went up more than half as fast again as general manufacturing fuel costs.

In other words, it looks as though inflationary pricing policies are just a natural soft option for defence-dependent industries. The problem is obviously not peculiar to Britain. As Senator Sam Nunn has pointed out, Nato has consistently outspent the Warsaw Pact, especially during the past four years, when the Reagan rearmament programme came on top of the Nato 3 per cent commitment. Yet just as consistently, the Warsaw Pact has outproduced Nato in many of the major military items — tanks, fighters, artillery pieces, rocket-launchers. The western economies are manifestly more efficient in civilian manufacturing; they appear to be manifestly less efficient in defence output.

The corollary is that an arms race is probably much better for General Dynamics than it is for the United States.

The inference *ought* to be that there is plenty of room for improvements in procurement efficiency; and that if those improvements are made, level funding (which is likely to apply in the U.S. just as much as in the UK) need not mean a decline in defence capability. That certainly is the thrust of the UK Defence Ministry's new emphasis on competitive procurement, which it says now applies to 60 per cent of new contracts. Whether it also means that Trident can be fitted in without imposing cuts on the rest of the defence budget is a rather larger question.

The Economics of Defence Spending; M. S. Levitt, National Institute of Economic and Social Research, Discussion Paper 92.

Lombard

A secret tax cut from Mr Reagan

By Anatole Kaletsky

DENYING THE "radicalism" of President Reagan's U.S. tax reforms has become a sort of virility test for conservatives all over the world. A few years ago, the very idea of chopping the top rate of income tax to 35 per cent would have sufficed to establish Mr Reagan as the most radical conservative politician since World War Two. Today, the true believers of the supply side faith deplore his failure to impose a single non-progressive tax rate on rich and poor alike or complain that the President has betrayed the dream of total "fiscal neutrality."

However, amid this hullabaloo from the New Right another, more pragmatic, line of criticism has been entirely forgotten. The effort of legislating Mr Reagan's proposals is likely to exhaust Washington's capacity for tax reform until at least the end of the present Administration; if this is so, then any significant reduction of the U.S. budget deficit can be ruled out until the 1990s.

Even if Congress succeeds in trimming $50bn a year off Government spending, projections by the Congressional Budget Office show deficits firmly stuck between $150bn and $190bn until the end of the decade. And the political consensus for further cuts in civilian expenditure has now been dissipated, as the President's acceptance of a freeze on defence spending, should make abundantly clear. Thus, if there were to be any reduction in U.S. deficits below the $150bn level, the money would have to come from higher Government revenues; and higher revenues are the one thing Mr Reagan's proposals are guaranteed not to deliver.

In fact the Reagan plan is not even "revenue neutral," as advertised: it will appreciably cut the government's tax-take in the long run beyond 1990, and possibly before. From 1987 to 1990, the Reagan plan is supposed to lower individual taxes by 5.2 per cent and raise corporate tax payments by 23 per cent. This should amount to a personal tax cut of $24bn a year on average, matched almost exactly by $25bn of new corporate taxes. But Mr Reagan's claim, when he originally presented his proposals that even more taxpayers would gain eventually was not just an idle boast; for in the very long run, personal taxes will be cut by 7 per cent and corporate taxes raised by only 9 per cent.

The difference arises because changes in capital depreciation schedules will not reach a steady state until around 2025, while the benefits to the Treasury of the special "windfall" tax on corporate profits will peak in 1988 and vanish after 1990. By the time the final impact is felt, therefore, the Reagan plan will be generating revenue losses of something like $20bn a year in average 1987-90 prices.

Of course $20bn is not a lot of money when set against a budget deficit of $200bn or a Gross National Product of $3,500bn. It is, nonetheless, between 2 and 3 per cent of total government revenues expected for the coming years; and the fact that nobody in Washington seems in the least concerned about this long-term drain from the Treasury suggests a sobering lesson.

Concern about budget deficits has not even figured in Mr Reagan's passion for tax reform; in fact, far from using tax reform as a guise for higher taxes, he is trying to sneak through a further long-term tax cut. It is most improbable therefore that the White House will let Congress turn its plan into a surreptitious tax increase, as many investors seem to hope. America's imagination has been captured by Mr Reagan's headline-grabbing reductions in marginal tax rates and the vision that these low rates can be achieved without undue sacrifices from anyone.

The Reagan plan has defined the maximum tolerable level of sacrifice from the losers in any fiscal shake-up. Even if the figures do not quite add up in the long run, the burden on the corporate sector is more likely to be reduced than to be increased further in the Congressional rites of passage. Meanwhile all Washington's politicians will watch like hawks for evidence that their opponents are denying America the full benefits of Mr Reagan's tax cuts. With Congressional elections in November 1986, this vigilance should deter all efforts, however cunningly disguised, to raise the voters' taxes.

Letters to the Editor

Payroll costs

From the Pro-Vice-Chancellor, University of Buckingham

Sir,—The Green Paper (June 4) on pensions prompted me to analyse the proportion of a University's payroll costs which actually ends up in the pockets of its employees. Some 70 per cent of this University's total costs are payroll costs. As is typical for Universities rather more than half of the employees are non-academic. The results of my calculations are quite startling. Taking the most recent month available, an average of only 58p of each £1 it costs us to employ somebody actually reaches that person. The effect of the Green Paper will be to reduce this amount by approximately 1p.

The marginal figures are even more startling. An employee who belongs to the Universities superannuation scheme, as all academic staff must, and earns say £7,000 per annum will, if the proposals are implemented, only receive 44p of each additional £1 which it costs us to employ them after the compulsory costs of pension contributions, NHI, and Income Tax have been remitted.

Surely these figures speak for themselves in indicating that a much more radical look at how the burden of income taxes, national insurance and pension contributions affect the payroll costs of employers is long overdue.

(Professor) Peter L. Watson,
Buckingham

Commission disclosure

From Mr H. Green

Sir,—Barry Riley's article "Life assurance on the hook" (June 6), might have been better headed "Life companies off the hook," since, if the legislation on commission disclosure proceeds as intended, this is precisely what will happen.

"Efficient marketing" requires, among other things, a knowledge by the consumer that the price is negotiable, irrespective of whether he chooses to deal with a broker or a tied agent. It is almost unknown among the general public that not only does the commission payable to the broker or tied agent offer them a "bargaining counter," but in addition they retain a right to request (with unit-linked pension contracts) to elect single or annual premiums.

The enhanced investment returns in choosing single premiums can be dramatic, particularly where pension contributions are paid over more than 10 years. This results however, in an equally dramatic reduction in the commissions payblo, which could well bring about a reluctance by a tied agent to volunteer the best advice. Typically, commission on "single premiums" are 3 per cent, whereas those on "annual premiums" amount to as much as 50 per cent.

Under Mr Fowler's compulsory private pension provisions, a company employing (say) 1,000 people earning the national average of £8,000 and each contributing the compulsory minimum of 4 per cent to a pension scheme, may result in a commission cheque being paid to the tied agent of £160,000, together with further annual (i.e., renewal) cheques of £4,800.

The White Paper suggests that tied agents will be considered to be full-time employees instead of self-employed as at present. As a result the tendency of direct sales companies to recruit individuals who have no skills or knowledge in financial services, and to release such people on an unsuspecting public after the customary "three days training" will no doubt be tempered by the cost of National Insurance (if nothing else). Their most highly successful salesmen would under the Finance Bill cost them the full 10.45 per cent on all their earnings, which together with the introduction of taxation under Schedule E should ensure that direct sales companies become selective.

The media seem largely unaware of the irrationality of what is proposed. As you state, brokers are concentrating their efforts on the ways they can evade commission disclosure rather than ensuring that any legislation applies across the board to brokers and tied agents alike. This dangerous gambit is playing into the hands of the direct sales companies who see a tidal wave of former brokers abandoning their independence, and creating a distorted market, the results of which will inevitably be highly damaging to the consumer.

The Government must seem heaven-sent to the direct sales moguls. First it proposes one-sided commission disclosure, then it appoints the best known champion of direct sales to ensure the effective demise of the specialist life assurance broker. Finally it introduces "compulsory private pensions legislation" which will ensure that many direct salesmen achieve riches beyond their wildest dreams, unbeknown to their clients.

Haydn Green.
Life Insurance and Investment Services of Nottingham,
4 Gordon Road, West Bridgford, Nottingham

Accrued pension rights

From Mr G. Warren.

Sir,—Mr Fowler assures us that accrued rights to state earnings-related pensions (SERPS) will be preserved under his Green Paper proposals. SERPS entitlements are based on an individual's best 20 years' earnings, and not on earnings over a whole working lifetime of say 40 years. It is therefore unclear in this context what "accrued rights" as is meant to mean.

For example is a young SERPS member with nine years contributions to be granted 9/20ths or 9/40ths of a full SERPS pension?

Most commentators have charitably assumed the former, and Mr Fowler should act to confirm their interpretation, if he wishes to secure public confidence in his proposals.

Graham J. Warren,
32 Egerton Gardens, W.13.

Particle physics

From Mr D. Miller

Sir, — David Fishlock seems to want particle physics research to be driven along to a timetable. That is not the way to manage science. His article "Now some questions for the atom-smashers" (June 5) gets most of the facts right, but he wants "more people in more activities to be seen to be using the results of research which, in the past, has given immense satisfaction to just a handful of physicists at the frontiers of their science." How long ago is "in the past"? Arthur Roberts, whose 1946 remark is quoted at the head of the article, is still working on particle physics. The results of the kind of nuclear research he was doing in 1946 are now being applied in many fields of science and technology. The fundamental advances of the past few years will take time to be applied. If we are forced to guess prematurely where they will be useful we may later be held guilty of dropping misleading hints, as David Fishlock says some of us did in the post-war period.

Given steady budgets, the discipline develops its own incentives. We will eventually need to investigate even smaller length-scales, which means working at higher energies. We will have to develop new accelerating technologies to make these energies affordable. But that has been happening ever since Cockroft and Walton presented Rutherford with his first accelerator in 1931. That is why the new "miniature versions of atom smashers" already exist and, as David Fishlock says, "are now available for other kinds of research" (and also for cancer therapy). There are a dozen or so new ideas for accelerators in circulation at the moment, one or two of which might work. By the time the present generation of big machines is built we may find that their successors do not need to be more expensive in proportion to their higher energy.

The international competition in particle physics is intense, as David Fishlock says, and different national groupings have to risk their capital on different kinds of machine. The American "superconducting super-collider" may well not turn out to be a more useful instrument than "LEP" at CERN. We will only know by the year 2000. A single "world machine" would surely be as much of a mistake as would be a single "world motor car." The UK in CERN is a member of the currently most successful consortium in the field. No one can seriously dispute that this is one of the ultimate frontiers of human knowledge. Advances come slowly, by patient work over decades.

David J. Miller.
Department of Physics and Astronomy,
University College London, Gower Street, WC1.

Shortages of engineers

From Mr D. Carruthers.

Sir,—Many letters recently have addressed the problem of a shortage of engineers. As a chartered civil engineer I must question whether a shortage actually exists in the supply of engineers.

In a market economy an excess of demand over supply leads to a rise in salaries (prices). With chartered engineers the reverse has happened with a drop in real salaries since 1976. In my discipline a drop of 5.5 per cent to 1984 must be compared with a rise of 10.5 per cent for non-engineering professionals over the same period. The market is, therefore, signalling an excess of supply over demand. Unless the Government first does something to stimulate real demand for engineers then the money to be spent by universities on increasing the supply of engineering graduates will be wasted, since the market will force the graduates into retraining as administrators, accountants or technicians.

It must be emphasised that although engineers, technicians and mechanics, are often referred to as "engineers," their training is totally different and a demand in one area cannot be met by supply from another.

D. R. Carruthers,
Balcassie, Kirkton of Mailer Road, Craigend, Perth.

FINANCIAL TIMES
Monday June 10 1985

Terry Byland on Wall Street

Stubborn gloom in technology

WALL STREET sounds a much happier place now that the stock market has at last responded to the slide in interest yields, and is boiling away around new peak levels. The rebound in equities seemed an inordinately long time coming, with the Dow 1,300 level hovering before the market's eyes like an oasis before a disgruntled desert traveller.

In part, the upturn in stocks reflected a simple, but convincing technical argument. The return on fixed-interest issues had been falling dramatically, thus increasing the attractions of the stock market.

Over the past 12 months, bond yields have crashed by more than a third to their present levels of around 10¼ per cent, while price/earnings ratios in the stock market have risen by only around 16 per cent to the 11½ per cent area.

But the more pressing reason behind the equity market's explosion *seems to have* been *the growing* confidence that the U.S. has managed to avoid recession. It is difficult to put a finger on the reasons for the change in mood. Friday's disclosure of a surge in jobs in manufacturing industry in May was a "rude shock" for the recession watchers, commented Peter Canelo of Bear Stearns. It certainly wrought a heavy fall in the bond market. Equities also weakened but *that might prove no more than a* knee-jerk reaction.

The sector to watch might be technology, which has so far flatly refused to share in the general rebound in equities. In fact, the lower *profits – both predicted and report*ed – from the technology industry played a significant role in holding the stock market back in the spring.

In contrast to the peak levels recorded in the Dow Jones industrial *average, Standard & Poor's and* other leading market indices, the technology index compiled by Hambrecht Quist stands some 20 per cent below its 1985 peak – and about 5 per cent below its level on January 2.

Index	June 7	% change since Jan 2
Dow Industrial	1,316.4	+ 9.3
S+P 500	189.55	+14.62
Hambrecht Tech	188.45	− 5.6

The Hambrecht index takes in a large number of the smaller, Nasdaq-quoted *technology stocks.* But gloom in the high-technology industry has been widespread. IBM upset the market by warning, and then reporting, poor first-quarter earnings, and has now cast its shad*ow over the second quarter.*

Wang Laboratories, Apple Computer and Control Data have all disclosed the effects of lower industry sales and vicious competition.

For the technology sector as a whole, analysts' opinions are divided. Some believe that the fall in stock prices has been overdone, pointing out that the smaller Nasdaq stocks have proved themselves highly volatile, with market liquidity not always as high in bad times as in good.

Some of the smaller stocks were run up at the beginning of the year on scanty evidence for a recovery in sales. As the industry leaders reported, *in painfully uncontroverti*ble terms, that industry sales were under pressure, the correction among the smaller stocks was substantial, and may have been overdone. Certainly there seems to have been a collapse of confidence in the technology stocks around March, when the sector became the pariah of the market.

Now that the stock market as a whole seems to have found its poise, the time ought to be ripe for a recovery in the technology sector. All the more disappointing, then, are the latest views coming from the analysts.

On Friday, Mr Mark Schulman, Hambrecht's computer industry analyst, set about both IBM and its nearest rival, Digital Equipment, predicting a long hot summer ahead for both of them.

Big Blue had already predicted that the second quarter might show another fall, but maintained that the second half would be strong. Analysts are warning that the continued, if unexpected, strength of the dollar, which hurt IBM in the first quarter, will continue to impede an industry that leans heavily on sales outside the U.S.

No doubt the dollar will fall one day and the world as seen from Wall Street will be greatly changed. But as far as the outlook for technology stocks goes, the jury seems to be still out. If the technology sector starts a significant recovery, then the rest of the equity market will be all the better for it. But if the technology industry continues to generate bad news, then perhaps the rest of the market should take heed.

'Loose' controls offered on star wars research

BY PETER MARSH IN LONDON

THE U.S. will impose the loosest possible set of controls on technologies shared with countries that join its $26bn Strategic Defence Initiative, Lt Gen James Abrahamson, the programme's director, said in London at the weekend.

That approach would give companies and academic institutes the fullest opportunity to channel research ideas developed during the *programme* toward commercial goals.

The General rejected assertions that the U.S. Department of Defence programme, known popularly as star wars and aimed at develop*ing by 1990 the basis for a defensive* system against Soviet nuclear missiles, might create a "brain drain" by diverting top European researchers to a military programme.

Lt Gen Abrahamson was in London to brief a meeting of U.S. officials in European embassies and for talks with Mr Michael Heseltine, the UK Defence Secretary.

Britain, with other Western nations, is still deciding how to respond formally to the U.S. invita*tion to join the project, which will* require extensive research in a wide range of technologies in areas such as computing, materials, lasers and energy systems.

European countries are also con*sidering their stance on joining a ri*val research programme, called Eureka, which France has proposed as a way of channelling technical expertise towards commercial, rather than military, goals.

In a series of statements over the weekend, Lt Gen Abrahamson:

- Insisted that the goal of an operational defensive system was well within reach;
- Dismissed reports that the Pentagon had retreated from its original aim of providing a blanket defence for cities, and was planning instead a less ambitious set of hardware aimed at protecting only relatively small targets, such as missile silos;
- Praised European attitudes to the SDI programme and said that Eureka did not present a threat to European participation in star wars;
- Rounded on American critics of star wars who say a perfect, or near-perfect, defence system is impossible – many of the critics are not "neutral observers," the General said; and
- Clarified how European companies and academic institutes could become involved, saying that some areas of work would be subjected to classification procedures while other contracts could be conducted entirely openly because they dealt with technologies of wide relevance to other projects in the commercial arena.

Governments face sharp attack over African famine 'failure'

BY ANDREW GOWERS IN LONDON

MINISTERS and senior officials from more than 30 developed and developing countries gather in Paris today to face devastating criticism of the world's failure to boost *African food production or to avert* the famine afflicting many parts of the continent.

The attack – directed both at African and Western governments – come in a salvo of reports prepared *by senior officials of the World Food* Council, the UN body charged with monitoring food problems and mobilising aid, under whose auspices the four-day ministerial meeting is taking place.

The gathering, to be opened this morning by French President François Mitterrand, is the first of its kind since the Ethiopian famine burst on to Western television screens.

Discussions on African issues may, however, be overshadowed in the corridors of the conference by an agricultural trade dispute between the U.S. and the European Community, after Washington's recent announcement of a $2bn farm *export subsidy programme.*

Reviewing the catastrophe affecting millions of Africans; the council says: "Drought and other natural and man-made disasters are no excuse for the heavy loss of life and *mass starvation now occurring* in parts of Africa.

"Better contingency planning could have prevented the current famine, or at least contained its severity ... The poor progress to *date towards the elimination of* hunger and malnutrition suggests that just 'doing more of the same' will not suffice."

It also expresses concern that the current focus on short-term humanitarian relief, while essential, may be diverting attention from the longer-term need to help African countries to provide for themselves.

The UN Food and Agriculture Organisation, a sister body to the WFC, notes in a report prepared for the meeting that *per capita* food production in Africa last year was 11 per cent below its average during the mid-1970s.

The council singles out for particular criticism the failure of most African countries to implement coherent agricultural policies or to devote sufficient public resources to boosting food production.

One report notes that although an increasing number of African *states have publicly committed* themselves to revitalising their farm sectors, the words have in the main not been matched by deeds.

It also recommends, however, that Western donors increase aid with a view to preventing a recurrence of the disaster.

UK money broker seeks listing

BY CHARLES BATCHELOR IN LONDON

CHARLES FULTON, fourth largest of the UK-based companies that dominate the international business of money and foreign exchange broking, plans to seek a full London Stock Exchange listing, probably in October.

The move comes about 3½ years after the company, threatened with collapse, was bought by Mercantile House, the largest UK money broker.

Fulton made an unsuccessful and expensive attempt to break into the New York money market in 1981 and at the same time started to make losses on foreign exchange dealings in London.

The Fulton management, headed by Mr Robin Packshaw, the chairman, plans to offer for sale 25 to 30 per cent of the company's equity.

The offer might be expected to place a value of between £30m ($38.16m) and £75m on Fulton's entire share capital on the basis of the widely varying ratings accorded to *other publicly listed money brokers.* Fulton declined to comment on its likely stock market valuation.

Senior Fulton managers have spent the past two years organising management buyouts of the company's individual international operations from Mercantile House.

When the buyout of Fulton's Asian operation is completed in a month or two, the way will be clear for Fulton to seek a London Stock Exchange listing. Lazard Brothers has been appointed merchant bankers while L. Messel will be brokers to the flotation.

Fulton had pre-tax profits of £5.3m on broking turnover of nearly £45m in the year ended July 1984. Turnover is expected to rise to nearly £55m this year.

The company employs 600 people, most of them in its dealing rooms worldwide, which follow the international dealing day from Sydney to the U.S. West Coast.

Mr Packshaw said: "People do not know how big we are or what we have achieved. We are a very major force in the Eurodeposit and foreign exchange markets."

Mercantile House in 1982 paid £6.5m for Fulton when Gill & Duffus, the commodity broker, which then held a 43 per cent stake, refused to bail out the company.

Mercantile closed Fulton's U.S. operation and made sweeping cuts in London, but preserved the Fulton network of offices in the Far and Middle East and Europe.

Mr Packshaw said: "It was my conviction that we would all get together again. I do not believe Mercantile thought then that we could become a major force in money broking."

Wedd Durlacher Mordaunt, the UK jobber that is joining Barclays Bank's new securities group, recently sold its 25 per cent stake in Fulton to avoid conflicts of interest. Fulton's directors and senior managers now own about 80 per cent of the company.

Fulton has re-established itself in the U.S. over the past two years by forming a joint company with the management of Mabon Nugent Godsell, the leading U.S. overnight federal funds broker. It also established a joint interdealer brokership with Cantor Fitzgerald Securities, a U.S. government securities broker.

Fulton intends to remain a pure *broker to avoid possible conflicts of* interest, but said it planned to develop "of-balance-sheet hedging instruments" such as financial futures, interest-rate swaps and forward rate agreements.

De Beers expects no rise in Soviet gem sales

By Kenneth Marston, Mining Editor, in London

LAST YEAR'S sudden increase in sales of cut-price Soviet diamonds, which severely damaged diamond-market confidence, will not recur this year, De Beers, the world's main supplier of rough (uncut) diamonds, is to tell its buyers today.

The South African group says it has been "authoritatively informed" that there will be no rise in sales to the West of Soviet good-quality cut and polished gem diamonds and that their prices will not be reduced.

It will give that reassurance to its buyers from the cutting centres at today's five-weekly "sight," or selling occasion, in London.

A year ago the cutters' confidence was badly shaken by the sudden increase in sales of cut-price Soviet gems. Coming at a time of a seasonal lull in the market, they raised fears that the Soviets might corner the polished diamond market.

The Soviet sales eased in September, almost as suddenly as they had begun. No reason was put forward *for this, but there were suggestions* that De Beers' Central Selling Organisation, which aims to stabilise the world market, had played some part.

It was never clear why the sales *had started.*

The diamond cutters have remained apprehensive that the Soviet cut-price offerings might reappear this year. Thus they have been uneasy about purchasing rough dia*monds* which, when turned into the finished product, might have to compete in a still sensitive market with cheaper offerings.

That was a prime factor in a fall in sales of rough diamonds by De *Beers' Central Selling Organisation* to $668m in the second half of 1984 after $945m in the first six months. Sales were also hit by high interest rates and the strength of the U.S. dollar, which raised gem prices in European currencies.

Demand for diamonds generally is still not as strong as in the past, with recovery concentrated in the less expensive qualities.

Argentina plans to pay $600m arrears

Continued from Page 1

up half the total. Mexico, Venezuela, Spain, Canada and Japan have promised smaller amounts, while West Germany, Italy, France and Colombia were undecided.

The bridging loan will be repaid when Argentina is able to resume drawing on its $14bn IMF loan, probably in about two months' time.

The drawings will depend on evidence that Argentina is complying with its new programme, which envisages a cut in its public-sector deficit to between 2.5 and 3.5 per cent of GDP, compared with 6.5 per cent last year.

The new programme carries no specific target for inflation in Argentina, which now exceeds 1,000 per cent and had previously been forecast to fall to 300 per cent by *September.*

Sr Portnoy said: "We suppose that by reducing the budget deficit, and if we continue with a tight monetary policy, we can expect inflation to fall as quickly as possible."

THE LEX COLUMN

The rise and rise of the tokkin

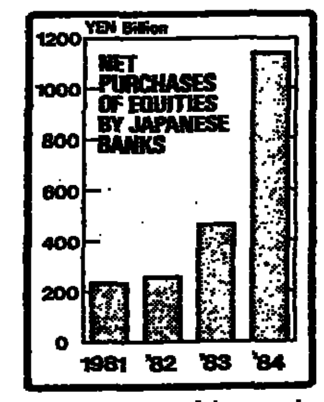
Not all foreign investors in the Japanese equity market can spell Tokutei Kinsen Shinkatu but most know only too well what the term can *stand* for: irritation, frustration and bewilderment. Literally translated as specified money trust, the tokkin, as it is commonly known, has become perhaps the most powerful force in the Japanese stock market. Its advocates maintain that the tokkin heralds a deep-seated and welcome change in the structure of the Tokyo securities markets. Its critics, many of them foreigners, counter that it threatens to turn the Tokyo Stock Exchange into a *glorified* casino.

The ascendancy of the tokkin dates from 1980, when the Japanese tax code was changed to allow banks and non-financial companies to segregate for fiscal purposes any equities *held in specified* money trusts. Cross-holdings between Japanese companies account for something like half the total capitalisation of the Tokyo equity market and almost all these investments are entered at antiquated book values. Companies had been discouraged from buying more shares by the realisation that capital gains tax on disposal would be assessed on the basis of the average cost of the total *holding. The segregation of the* tokkin accounts allowed companies to distinguish for tax purposes between a portfolio investment and a long-term holding in a single equity.

Fiscal alchemy

But it was not until October of last year that the tokkin really took off. Insurance companies were permitted to invest up to 3 per cent of their total assets in equities through tokkin and, more to the point, were permitted to pay any resulting capital gains to their policyholders in dividends. By the stroke of a pen, the Japanese insurance industry was offered the means of converting capital gains into distributable income. It was a peculiarly Japanese form of fiscal alchemy.

And that is not all. The investor establishes a tokkin by placing reserves with a trust bank and appointing a specified investment adviser, which can be a securities company and is sometimes even the investing company itself. The first advantage of this arrangement to the investor is that dealings are anonymous because they are conducted through the trust bank. A commercial bank, for example, is saved the embarrassment of being seen to sell shares in a client company.



The investment adviser receives a fee for the service but, more important, establishes a foothold in the domestic fund management business, which, until now, has *been almost the exclusive preserve* of Japan's seven specialist trust banks. The experience accumulated through tokkin will allow the commercial banks and the securities companies to argue that the Ministry of Finance should give them permission to offer a full fund management service.

It is not surprising, therefore, that Japanese securities companies have been actively promoting tokkin and that, as the accompanying chart shows, Japanese banks have become increasingly active players in the stock market. There is little published data on the scale of tokkin investment but, according to one reliable estimate, the size of the funds more than doubled last year to Y4,400bn. By the end of 1985, the total might easily exceed Y6,000bn.

In its early stages, tokkin money was invested almost exclusively in bonds. Increasingly, however, new cash has been directed towards the Tokyo equity market. At the end of 1984, Japanese equities accounted for around 20 per cent of total tokkin funds. Non-financial companies were much the largest players, with tokkin equity holdings of Y680bn, while insurance companies followed with around Y150bn and banks brought up the rear with equity investment of Y50bn.

In relation to a stock market with a total capitalisation of around Y170,000bn, the amount represented by tokkin equity funds might seem negligible. But it scarcely seems that way in Tokyo. For one thing, the equity component is rising much faster than tokkin investment as a whole. Life insurance companies are believed to have had Y170bn invested in tokkin equity accounts in March of this year and that figure is expected to rise to Y560bn by March 1986. Under the present 3 per cent ceiling, life insurance funds could invest up to Y1,400bn and there is a good chance that the ceiling will soon be lifted to 5 per cent of assets. The banks are also stepping up their holdings, not least to cover the high cost of maintaining investment advisory departments.

Moreover, with so much of Tokyo's market capitalisation accounted for by what is effectively dead equity, relatively modest funds can rapidly become the swing factor in the market. The tokkin may already have assumed the role of market leader which was played by *foreign institutions in the early* 1980s.

Speculative trading

Yet, in terms of trading activity, the contrast between the tokkin and the foreigner could scarcely be more striking. Overseas fund managers have traditionally sought out blue-chip companies for long-term investment. Tokkin are, to put it mildly, performance-oriented funds and are frequently invested in speculative and volatile shares.

The reason for the speculative activity is fairly straightforward. The advisory firms themselves often have little experience of long-term portfolio management and are understood on occasion to have guaranteed returns of up to 10 per cent to investors in the first year of a fund's life. Since life insurance companies are using tokkin to pay fixed policyholders' dividends and industrial companies are frequently funding their tokkin investments with term bank debt, they need to show a high and continuous return to meet their obligations.

Tokkin funds were held partially to blame for the speculative fever which infected the Japanese pharmaceutical sector earlier this year, while their failure to step up equity investment in April contributed to the market's 13 per cent fall in the following month.

Tokkin's proponents maintain that the speculative buying is just a teething problem. The diversification of insurance company assets into equities and the deployment of a growing financial surplus in the corporate sector towards the stock market must, so they argue, be to the long-term benefit of the securities markets and the economy. But for the foreign investor, caught up in a speculative market where price movements may bear little relation to changes in the fundamental outlook, the tokkin have precious few merits.

Declining demand puts pressure on oil prices

Continued from Page 1

gency meetings throughout the summer is on the cards.

One feature is likely to be the role of Ecuador, which is producing close to its capacity of 300,000 b/d, compared with its Opec ceiling of 180,000 b/d. The possibility of expelling Ecuador is likely to be discussed within Opec in the run up to the June 30 meeting. Although such a move would not affect the oil market, it would be designed to force larger mavericks, such as Nigeria, into line.

One policy which has been raised repeatedly in public by Kuwait and Saudi Arabia – a price war to push high cost producers in the North Sea *and Alaska out of the market* – has now been formally abandoned.

At the beginning of this year a secret Opec group was formed, consisting of Sheikh Yamani, Sheikh *Ali Khalifa Al Sabah,* the *Kuwaiti* oil minister, Mr Nurdin Ait-Laussine, a director of the Kuwaiti-owned International Energy Development Corporation, and Mr Naural-Din Farag, the managing direc*tor of the* Arab Petroleum Investment Corporation.

The group conducted an enquiry to find out what price of crude would force the high cost producers *out of the market. The answer has* come out at $5 a barrel, representing the operating cost of an average North Sea oilfield.

However, the opposite policy, being practised by Opec, of holding prices at high *levels has involved* the organisation in halving its output to the current level of less than 16m b/d.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	20	68	Dubrovnik	F	25	77	Malaga	S	22	72	Salzburg	F	13	55
Akrotiri	S	27	81	Faro	S	23	73	Malta	S	31	88	Seoul	R	22	72
Algiers	F	25	77	Florence	C	24	75	Manila	S	34	93	Singapore	R	28	82
Amsterdam	C	13	55	Frankfurt	R	13	55	Miami	S	30	87	Stockholm	R	11	52
Athens	S	30	86	Funchal	C	21	70	Milan	S	21	70	Strasbourg	C	14	57
Bahrain	S	35	95	Geneva	F	15	59	Moscow	D	11	52	Sydney	S	18	64
Bangkok	S	33	91	Gibraltar	F	21	70	Munich	F	13	55	Taipei	S	30	86
Barcelona	S	21	70	Guernsey	C	14	57	Nairobi	F	23	73	Tangier	—	—	—
Beirut	S	27	81	Helsinki	R	11	52	Naples	—	—	—	Tehran	S	29	84
Belgrade	F	17	63	H. Kong	C	28	82	New Delhi	F	34	93	Tel Aviv	—	—	—
Berlin	C	14	57	Innsbruck	F	15	59	New York	C	18	64	Tenerife	S	25	77
Biarritz	F	18	64	Inverness	F	13	55	Nice	S	22	72	Tokyo	R	19	66
Blackpool	C	13	55	Istanbul	S	30	86	Oporto	S	21	70	Toronto	C	18	64
Bordeaux	C	14	57	Jersey	S	14	57	Oslo	R	9	48	Tunis	F	24	75
Brussels	R	13	55	Jo'burg	—	—	—	Paris	F	13	55	Valencia	F	22	72
Budapest	R	12	54	Las Palmas	S	24	75	Prague	F	12	54	Venice	S	20	68
B. Aires	F	15	59	Lima	C	21	70	Reykjavik	F	9	48	Vienna	C	13	55
Cairo	S	35	95	Lisbon	S	23	73	Rio de J'o	S	26	79	Warsaw	C	14	57
Cape Town	C	17	63	Locarno	S	22	72	Rome	S	22	72	Zurich	C	14	57
Caracas	R	24	75	London	C	15	59								
Casablanca	—	—	—	Los Angeles	C	18	64								
Copenhagen	S	13	55	Luxembourg	R	10	50								
Corfu	S	29	84	Madrid	S	23	73								
Dublin	R	13	55	Majorca	S	25	77								

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Airline's service drive

Continued from Page 1

answers" to customers' questions: "Anyone who does not reply when asked a second time or who refuses to pick up the telephone after three rings would be considered not replying and would be cut by 10 points."

The airline's safety record is less than perfect. Delayed take-offs without explanation are common. Inflight service is lacking and the menu on internal flights includes boiled lollies and a souvenir key-ring.

Foreign airline officials, who have offered assistance to the airline in the past and have had their offers turned down, say that the recent readiness of CAAC to accept that it has problems "is the first step to solving them."

The airline's new director-general, Hu Yizhou, who promised to make CAAC shape up when he was appointed in April, said that he had received letters from Chinese and foreign passengers "with suggestions for improving CAAC's services" and had taken note of the ideas.

"I will do my best to be worthy of the people's trust. CAAC's major tasks at present are updating the air fleet, ensuring flying safety and improving the quality of service," Hu said.

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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Monday June 10 1985

Sweden introduces swing-line flexibility in $1.5bn borrowing

BY OUR EUROMARKETS CORRESPONDENT IN LONDON

SWEDEN has embarked on another major debt refinancing exercise with the launch last Friday of a new $1.5bn deal to replace the back-up credit attached to its puttable floating-rate note launched in the domestic U.S. market last year.

The rationale behind the new exercise stems from the fact that only $1.4m of the floating-rate note was put up for redemption at the first annual opportunity. With the floater trading above par in the U.S. market, Sweden wanted to adapt the back-up facility for other purposes as well as to reduce its cost.

The new deal, which is being arranged by Chase Manhattan, has a number of innovations besides reducing the commitment fee paid to banks to just 1/16 per cent annually from ⅛ per cent at present.

For the first time, Sweden has incorporated a swing line into a borrowing in the international credit market. This allows immediate access to funds on the same day as requested and theoretically opens up an opportunity for Sweden to follow Denmark and Spain's example of tapping the U.S. commercial paper market. However, Sweden is more likely to use the swing line to add to the flexibility of its funding in the Euronote market.

The deal also introduces two classes of tender panel to bid for Swedish paper in the form of short-term notes or bank advances. There is to be a general tender panel and a specialist panel which may deal in unusual maturities. Members of the specialist panel will be obliged to bid if Sweden seeks funds and must make markets in the Swedish paper.

Bankers believe the structure will formalise the class system that is appearing in Euronote tender panels, where some participants play only a limited role because of their lack of ability to handle and distribute Euronote paper. Sweden's specialist panel is likely to be more active than the general one and it may herald a trend towards a greater concentration of institutions actually involved in bidding for Euronote paper.

Drawings on the standby credit will bear interest at prime rate if the swing line is used, though this is subject to the rate not exceeding certificate of deposit rates by more than 70 basis points, in which case the CD rate plus a margin of 55 points will apply. Alternatively, swing line drawings will bear a margin of ⅜ per cent over the short-term New York offered rate for dollar deposits quoted by International Banking Facilities.

For other drawings, the margin will be 22½ basis points over Libor or the rate on U.S. CD s plus a margin of 35 basis points, provided this does not exceed Libor plus 20 basis points.

Previously, drawings under the facility bore interest at a margin of 60 basis points over the CD rate. The old maturity of 1991 remains unchanged.

Sweden's announcement fuelled market speculation that it might also shortly seek to refinance a £500m credit it arranged in 1982, especially since it has now retired an earlier £150m arranged on similar terms by the National Westminster Bank. But Mr Peter Engstrom, director of Sweden's National Debt Office, said on Friday night that no such decision had yet been taken.

He pointed out that refinancing large sterling deals is harder because of the £100m limit put on sterling floating-rate notes by the Bank of England. Sweden also now has access to short-term advances in sterling which could simply be used to repay the debt.

The U.S. floating-rate note, backed up by the $1.5bn standby, cannot be called at present but elsewhere the accent on Sweden's debt management is on flexibility, he said. The new standby should, for example, allow Sweden to issue more puttable FRNs, he said. Sweden will not need to step up its foreign borrowing programme because of a worse than expected trade performance so far this year.

Last week's other main development in the Eurocredit market was the already reported trebling of East Germany's latest credit to $600m, confirming yet again the strong demand for East European deals. Following this, bankers now report that a $100m deal for Hungary looks set for an increase. This credit followed on from a $300m World Bank co-financing and any increase looks likely to be modest, however.

The flow of U.S. borrowing in the Euronote market continued last week with a $300m, five-year facility led by Morgan Stanley for Cooper Industries, the tool manufacturer. The deal, which bears a facility fee of 12½ basis points, will allow Cooper to offer notes bearing a maximum yield of 25 basis points over Libor, but there is an additional utilisation fee of 10 basis points if underwriters are allocated more than $150m in notes.

Bankers say they expect further borrowing by U.S. companies in this market, although most of the big money centre banks are holding back, for fear of jeopardising existing lucrative standby facilities in the domestic market.

New team to nurse OTB back to health

By David Dodwell in Hong Kong

AT LEAST 20 senior executives from the Hongkong and Shanghai Banking Corporation will today transfer to the Overseas Trust Bank (OTB), the insolvent banking group that was rescued by the Hong Kong Government on Friday, with the job of nursing it back to full health.

The move follows the appointment during the weekend of a completely new board for OTB, to be headed by Mr Douglas Blye, the territory's Secretary for Monetary Affairs. Mr David Turner, who 20 months ago was seconded to the smaller Hang Lung bank following its collapse and an identical government rescue, has been appointed OTB's managing director and deputy chairman.

Three former OTB directors were charged in Hong Kong's western magistrate's court on Saturday in connection with the collapse

Mr Patrick Chang Chen-Tsong is alleged to have ignored a notice from the commissioner of banking to stay in Hong Kong. Mr Chang was detained on Thursday at Hong Kong's Kai Tak airport attempting to leave the territory with $1.5m in cash as well as diamonds, jewellery and other securities.

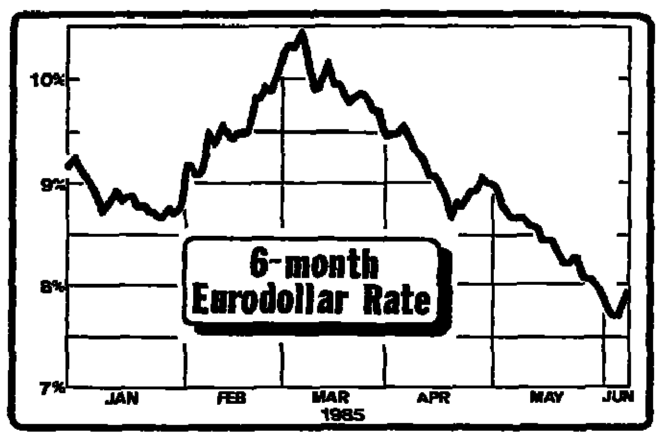
The other two men, Mr Peter Tai Ming-Shan and Mr Yeoh Eng-Hua, were jointly charged with attempting to conceal entries in OTB's credit files with intent to deceive.

OTB ranks fifth among banks incorporated in Hong Kong with 44 local branches and seven overseas. It had deposits of about HK$7.4bn ($951m), and an estimated 100,000 depositors.

INTERNATIONAL BONDS

Fixed-rate bonds rush market

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON



A RUSH of new fixed-rate Eurodollar bonds hit the market on Friday just as it was reeling under the effect of a sharp setback in New York.

The combination left traders in a sour mood at the end of the week, with secondary market prices falling as much as a point on Friday alone. Although the new issues were far from well received, some bankers were worried that more might follow shortly as corporate treasurers tried to get in at the bottom of the current interest-rate down-turn.

Most of Friday's new issues were described as aggressively priced in the market place, particularly Seagram's 10 per cent bond which came late in the afternoon after the trend of the New York market had become clear. But even Escom's 11½ per cent issue which was offered at a yield 237 points above the equivalent U.S. Treasury bond failed to elicit much enthusiasm from investors. Many remain worried about South African risk and last week's U.S. Congressional vote on economic sanctions cannot have helped.

The Eurobond market has been left with another underlying problem, arising from the fact that yields in Europe never fell as fast as those across the Atlantic. That made borrowing cheaper in New York and for much of last week the flow of fixed rate dollar bonds was reduced to a trickle.

Those that did appear, such as the $100m, 9¾ per cent deal for Ford – which bears the lowest coupon seen in this market for five years – and the $250m, 10¼ per cent deal for Arco had to be brought on terms that were just not realistic in the Eurobond market even before it began to deteriorate. By Friday night both issues were trailing badly at discounts of around 2¾ per cent and 3 per cent respectively.

With nervousness about the trend of the U.S. currency, much of last week's activity was again concentrated in other currency sectors, although some floating rate notes did well, particularly the 15-year issue for Credit Lyonnais which was increased to $300m from an initial $250m. The main focus of attraction was once more in the high coupon alternatives to the dollar, with particular excitement generated by the New Zealand dollar.

These issues have increased their appeal as U.S. dollar rates have fallen. Eurobond issues in New Zealand currency still offer a nominal return of about 16 per cent which, coupled with the prospect of currency gain, makes them particularly sought after as a means of currency diversification. Borrowers also like them because of the wide differential with the domestic market (Euro-issues trade at a yield some 2½ per cent below New Zealand government bonds in Wellington), which makes them easy to swap into floating rate U.S. currency at rates well below Libor.

Last week saw three new issues in New Zealand dollars, while Morgan Stanley increased its earlier issue for Denmark by NZ$15m to NZ$75m. There was also an active flow of business in other high-coupon sectors such as Australian dollars, which saw four new bonds, and Norwegian crowns where Den norske Industriebank is tapping the market for NKr 200m.

But, despite downward pressure exerted on short-term money market rates by the Bundesbank on Friday, no new public fixed rate issues appeared in West Germany last week. In Switzerland, the latest low coupon issue – a 5¾ per cent bond for Japan's Electric Power Development Corporation – closed its first day of trading at 98¾ per cent, ¾ points below the issue price.

Generally, Swiss and West German markets remained overshadowed by events in New York, although both sectors saw prices make net gains on the week of about ¼ and ¾ points respectively. Consolidation was the order of the day, too, in the recently booming Ecu market, where Credit National launched an Ecu 50m deal on Friday which is part of a conversion out of an earlier floating rate credit.

Expected this week, meanwhile, is a novel $600m floating rate deal for Banque Nationale de Paris, which is likely to introduce an innovative structure combining some of the features of a standby credit with a floating rate note.

Reuter adds: The French state bond issue announced on Friday had been raised to FFr 20bn from the initial FFr 15bn to satisfy heavy demand, lead manager Banque Indosuez said.

EUROMARKET TURNOVER
Turnover ($m)

Primary Market	Straights	Conv	FRN	Other
U.S.$	1,868.2	655.6	2,272.8	279.6
Prev	2,404.7	421.4	803.8	25.3
Other	455.5	0.7	122.7	73.9
Prev	1,288.0	0.6	1,110.2	13.1
Secondary Market				
U.S.$	19,770.4	1,475.7	9,864.5	2,286.0
Prev	20,117.4	762.3	10,603.4	1,463.2
Other	3,556.6	63.6	1,406.1	1,294.3
Prev	2,852.4	52.2	305.1	1,096.3

	Cedel	Euroclear	Total
U.S.$	11,650.7	26,822.4	38,473.1
Prev	12,840.7	23,761.2	36,601.9
Other	4,037.0	2,936.9	6,973.9
Prev	3,141.3	3,577.0	6,718.3

Week to June 6, 1985 — Source: AIBD

INTERNATIONAL CAPITAL MARKETS

U.S. MONEY AND CREDIT

Rise in new jobs dismays Wall Street

DOWN BUT not yet out. The unexpected 345,000 pump in new *non-farm jobs* in May dealt the U.S. credit markets a body blow when it was announced on Friday, knocking the speculative stuffing out of prices and dampening market expectations of an early cut in discount rate by the Federal Reserve.

Until midweek, the market had been going great guns. Short-term money market rates continued to plunge—rates at the weekly U.S. T-bill auction on Monday fell to their lowest level since June 1980—and the two-and-a-half month rally in bond prices showed no signs of abating.

The price peak came on Wednesday after the Fed intervened in the markets to supply additional reserves through an unexpected bill purchase. But it was downhill from there, as the market caught an acute case of the jitters, culminating in a precipitous Friday sell-off which all but wiped out earlier gains.

Dr Henry Kaufman of Salomon Brothers argues in his weekly comments on credit that the employment figures suggest the Fed need not rush to accelerate the pace of monetary accommodation. "The data tend to support the belief that overall economic activity is not eroding further and that some recovery from the very meagre first quarter rate is occurring."

Mr David Jones of Aubrey Lanstan writes: "In all likelihood labour market gains are foreshadowing a brisk May increase in personal income and this should provide the underpinnings for continued solid, if unspectacular, gains in consumer spending. In view of these hints of some acceleration in second quarter real GNP growth from the unacceptably low first quarter pace, the Fed may postpone consideration of another easing step.

But such views are far from universal on Wall Street. Many senior economists still expect the Fed to ease further. They argue that despite the latest employment figures, nothing *has fundamentally changed* which would justify such sharp girations in market prices and perceptions. While they concede some selective sections of the workforce may be benefiting *from a slight pick up in the* pace of economic activity, they also note that the overall jobless rate remained at 7.3 per cent for the fourth straight month and that the 0.4 per cent increase in non-farm jobs came entirely in the service sector—once again bypassing the manufacturing sector.

The bond market bulls also point out that commodity prices remain under pressure. The dollar is still very strong, some financial strains at least in some areas are mounting and, as Mr Paul Volcker, the Fed chairman, confirmed last week, the Fed is shooting for 3 per cent growth in real GNP, implying the need for still lower interest rates.

Certainly, for the moment, *Wall Street appears content to* ignore the surge in the U.S. money supply, shown again last week by the $2.6bn increase in M1, which implies a 14 per cent annual pace in May.

Last week short-term T-bill rates sank below the 7 per cent level briefly but generally closed slightly higher on the week although some very short-term private money market rates *continued to fall. In the govern*ment sector, prices generally still managed to post modest gains on the week despite the sharp reversal on Friday. The Treasury long bond closed up ⅛ *of a point* on the week at 108½ to yield 10.53 per cent, down from 10.57 per cent a week earlier.

With the next Treasury mini-refunding still several weeks away, *the corporate markets are* booming. Last week saw $3.85bn in new corporate fixed income securities brought to market, lifting the year-to-date total to $32bn, up 38 per cent from the same period last year.

Among the new issues Arco sold $300m of 30-year 11¼ per cent bonds to yield 11.167 per cent, Chrysler Financial sold $250m of 10-year floating rate notes, and American Medical International sold $100m of 10-year notes to yield 12.25 per cent and $100m *of* 30-year 11.25 per cent debentures priced to *yield 11.264 per cent.*

Morgan Guaranty sold $250m of two-year deposit notes yielding 8.694 per cent, Citicorp sold $150m of 10-year 10¼ per cent notes at par, Nortek offered $50m *of* 12-year bonds priced to yield 13¾ per cent and IBM Credit sold $200m of three-year 9 per cent notes to yield 9.05 per cent and $200m of five-year 6¾ per cent notes at par.

J. C. Penney offered $150m *of* 30-year 11 per cent bonds priced to yield 11.06 per cent, Arizona public services sold $150m of 30-year 11.5 per cent fixed mortgage bonds and Merrill Lynch sold $125m *of three-year extend*able notes priced at par to yield 9¾ per cent.

Other $100m offerings, mostly of medium term notes, came from American Express Credit, W. R. Grace, Avco Financial, Franklin Savings Association, General Cinema and Beneficial.

For corporate treasurers there was a bonus piece of good news last week. The Fed ruled that Bankers Trust has not broken the *law* by acting as an agent for commercial paper offerings. The ruling raises the prospect that other banks will be encouraged to enter the booming U.S. commercial paper market.

Another treat is in store this week, for U.S. investors at least. On Tuesday the Chicago Board of Trade begins trading a long-awaited municipal bond futures contract.

Paul Taylor

U.S. MONEY MARKET RATES (%)

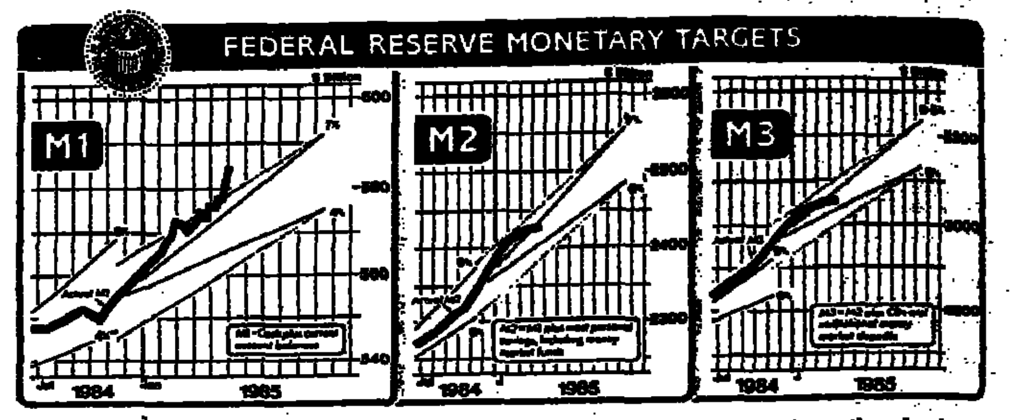
	Last Friday	1 week ago	4 wks ago	—12-month— High	Low
Fed Funds (weekly average)	7.74	7.73	7.98	11.77	7.68
Three-month Treasury bills	7.17	7.13	7.74	10.77	6.94
Six-month Treasury bills	7.27	7.23	7.89	10.83	6.98
Three-month prime CDs	7.50	7.45	8.12	11.90	8.37
30-day Commercial Paper	7.35	7.45	8.00	11.38	7.30
90-day Commercial Paper	7.30	8.05	8.05	11.40	7.25

U.S. BOND PRICES AND YIELDS (%)

	Last Friday	Change on week	Yield	1 week ago	4 wks ago
Seven-year Treasury	107⅝	− ¼	10.18	10.12	10.90
20-year Treasury	111¼	+ ⅝	10.62	10.66	11.30
30-year Treasury	108½	+ ⅛	10.53	10.57	11.20
New 10-year "A" Financial	N/A	+ ⅛	10.75	10.88	11.75
New "AA" Long utility	N/A	+ 1¼	11.25	11.38	12.25
New "AA" Long industrial	N/A	+ 1¼	11.13	11.25	12.00

Source: Salomon Bros (estimates).

Money Supply: In the week ended May 27 M1 rose by $2.6bn to $584.9bn.



UK GILTS

Why Treasury has resumed long funding

"IT'S NOT happening but stop doing it," seemed to be the message coming from the Bank of England last week as its officials hurried around commercial banks telling them to stamp out bill arbitrage.

The Bank was still insisting that the practice, which allows companies to borrow through the issue of commercial bills and onlend at a profit, was an irritant rather than a major problem.

The idea that "round-tripping" has significantly inflated bank lending and sterling M3 in recent months was scoffed at — mainly because officials cannot find evidence of the unwinding of arbitrage positions.

But if that is the case, the fact that Bank officials were ready to trudge around the banks—focusing on the foreign and merchant banks suspected of marketing neat arbitrage packages — demonstrates how anxious the Bank is to reduce any upward pressure, however small, on sterling M3.

Last week's figures showing a ½ per cent rise in sterling M3 in May were in line with expectations, and had the pound not suffered from a bout of oil price fears, they could have been enough to tempt Barclays to lead a small base rate cut.

The Bank, *however, remains* concerned that the broad money supply measure, growing by 11¾ per cent on an annual basis and 19 per cent on a three-months basis, is still hopelessly outside its 5 to 9 per cent target range.

And the Treasury, while broadcasting the message that the City should look at the exchange rate, Mo, high interest rates, indeed almost anything but sterling M3, apparently still wants the Bank to sell enough gilt-edged to get it back under control.

A resurgence of foreign demand last Monday, with the Japanese again in the lead, allowed the Bank to sell the £600m worth of stock it issued the previous week. The authorities' *keenness to main*tain that momentum was shown the next day with the issue of £800m of 10 per cent Treasury 2004 on a £30 partly-paid basis.

The issue of a next century conventional stock suggests that they have now quietly dropped their policy of limiting longer-term funding to index-linked stocks.

As Mr Roger Bootle of Capel-Cure Myers points out in the *broker's latest review*, between 1981 and the start of this year the Government did not issue any long-dated conventional stock. Since then it has issued more than £8bn worth.

There are a number of reasons which have softened the objections to such issues.

The original Treasury stance was that since the era of low interest rates was just around the corner it would be bad management to lock the Government into expensive long-term debt.

Unfortunately that era appears, if anything, to have receded, and so the original Treasury objections have crumbled.

There are also more immediate considerations.

At present the Bank *wants to* lure British institutions back into the market, since a significant proportion of recent sales have gone to foreign investors and thus will not have a direct impact on sterling M3.

Funding at the long-end of the market is also considerably cheaper, saving about 0.8 per cent on yield.

Finally, the authorities' hopes for a revival in corporate bond issues are now focused on the short rather than long end of the market.

The implication of this change in funding techniques is a further flattening of the *downward slope in the* yield curve at the the long end of the market as stocks in that maturity range lost their scarcity value.

Capel-Cure Myers concludes *that over the short term at least* this may mean that the medium-dated stocks offer better potential than longer issues.

As for the more general outlook, there was a spate of *brokers'* circulars last week confidently predicting a strong advance in the market towards the end of the year.

But the expectation that Friday's inflation figures will show another jump in the rate —perhaps to 7¼ per cent—and sterling's vulnerability to oil price jitters made them far less confident about the next few weeks.

Philip Stephens

FT/AIBD INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
AHFC O/S Fin 11¾ 94	100	106⅞	+2⅞	10.65
AIDC 11 89	75	103	+0⅞	9.94
AIDC 11⅞ 90	100	102⅞	+1	11.17
Amer Savings 12 89	125	102⅞	+0⅛	11.01
Amer Savings 12⅛ 89	100	103⅛	+0⅛	11.17
Asian Dev Bk 11⅛ 93	100	106⅛	+2⅞	[illegible]
Australia 11⅛ 90	100	106⅛	+1½	[illegible]
Australia 11½ 95	300	106⅛	+1⅞	[illegible]
Australia 11⅛ 98	100	108⅞	+3	[illegible]
Austria 15½ 88	75	113⅛	+0⅞	[illegible]
Avco Fin 13⅞ 91	100	104⅞	+0⅞	[illegible]
Bk Nova Scotia 13⅞ 87	100	106⅞	−0⅞	[illegible]
Bank of Tokyo 12⅞ 92	100	103⅞	−0⅞	[illegible]
Bank of Tokyo 13⅞ 91	100	113⅞	+3⅞	[illegible]
Bank of Tokyo 13⅞ 89	100	112⅞	+2⅞	[illegible]
Bergen Bank 11½ 90	75	101½	+2	[illegible]
BP Capital 11½ 92	150	102⅞	+1⅛	[illegible]
Br Col Hydro 11⅛ 93	200	108⅞	+2	[illegible]
Br Col Hydro 12½ 14	200	113	+5½	[illegible]
Br Col Hydro 12½ 13	250	112	+3	[illegible]
Britoil Fin 11⅞ 90	125	105	+2⅞	[illegible]
Caisse Nat En 11⅛ 95	125	106⅞	+2⅞	[illegible]
Canada 10⅞ 88	500	104	+0⅞	[illegible]
Casio Computer 5⅞ 89	80	114	−12½	[illegible]
CBS Inc 11⅛ 92	100	104	+0⅞	[illegible]
Contrust S & L 10 0	1bn	8⅞	+0⅞	[illegible]
Chasebrough 12 93	100	102⅞	+1⅛	[illegible]
Chrysler Fin 13⅞ 94	150	107⅞	+1⅛	[illegible]
Citicorp O/S 10⅞ 90	100	100⅞	+1½	[illegible]

	Issued	Price	Chg. on week	Yield
Rural Bk Aust 12 91	50	102⅞	+0⅞	11.38
Sanwa Bank 11⅞ 92	150	106	+2⅞	10.38
Saskatchewan 10⅞ 92	100	102⅞	+1⅞	10.28
Saskatchewan 10⅞ 90	125	104⅞	+1⅞	9.48
Saskatchewan 11⅞ 89	100	106⅛	+1⅛	9.99
Saskatchewan 15 92	150	121⅛	+2⅞	10.58
Saskatchewan 16 89	125	117⅞	+0⅞	10.11
Scot Int Fin 14⅛ 96	80	111	−4	12.37

	Issued	Price	Chg. on week	Yield
Moet-Hennessy 7 99	80	105⅞	+0⅞	2.51
Murata Mfg 3½ 00	100	82⅞	−11⅛	[illegible]
Nippon Oil 3⅞ 99	80	95⅞	+3⅞	[illegible]
Ono Pharm 3⅞ 98	60	90⅞	−8⅞	10.74
Sac Gen Surv 4½ 94	51	104⅞	+5⅞	147.[illegible]
Sumitomo Corp 2⅞ 99	70	117⅞	+16⅞	0.[illegible]
Texaco Capital 11⅞ 94	1bn	105⅞	+0⅞	42.[illegible]
Texaco Capital 11⅞ 94	500	107⅞	+1⅛	[illegible]

	Issued	Price	Chg. on week	Prem.
Queensland Gvt 11⅞ 89	100	104⅞	+1⅞	9.95
RBC 12⅞ 90	100	100⅞	−0⅞	12.55
Kumagai Gumi 3½ 00	80	117⅞	+13½	1.[illegible]
LASMO 9⅞ 99	45	97½	+0⅞	−10.73

	Expiry date	Price	Chg. on week	Prem.
Oester Lnbk 13⅞ 89	9/8/87	78½	+45½	−4.[illegible]
Texaco Cap 12⅞ 92	1/9/87	65⅞	+3⅞	2.[illegible]
Xerox 13⅞ 87	15/8/86	*55⅞	+33½	−10.[illegible]

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions.
FLOATING RATE NOTES: U.S. dollars unless indicated. Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=current coupon.
CONVERTIBLE BONDS: U.S. dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price.
* Perpetual.

Closing prices on June 7.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

CORPORATE FINANCE

GM special shares may set a fashion

WALL STREET analysts hardly knew whether to cheer or groan last week over the news that General Motors was preparing to issue a new class of H shares in part-payment for Hughes Aircraft, the aerospace company it acquired in a record $5bn auction.

On the one hand, they were inclined to approve of the motor company's decision to keep Hughes as a distinctly separate business, setting its own performance standards. On the other, they could see their lives becoming even more complicated, with the struggle to evaluate not only GM's own shares, but also the H class, and a second special class as well—the E shares issued last year for the acquisition of Electronic Data Systems (EDS).

Until very recently, the issue of different categories of common stock was frowned upon by the New York Stock Exchange. The exchange took the view that the practice led to unfair discrimination among shareholders (the GM special shares will have reduced voting rights), and a handful of companies had been allowed to survive with this structure. GM, however, changed all this when it bought EDS. Faced with the embarrassment of having to tell one of its largest companies to go and find a new home for itself, the NYSE caved in, and began to modify its rules.

There are two main reasons for GM's decision to use the new classes of shares.

First, GM is determined to let its fast-moving, high technology divisions assert an independent management style and a certain freedom under the GM umbrella.

Secondly, the shares go some way towards solving the practical problem of retaining the entrepreneurial characteristics of rapidly growing organisations. This is particularly true at EDS, where a large section of the workforce is used to being motivated by large stock incentives. Through the new stock, employees, as well as shareholders, will be able to participate in the growth of their particular piece of GM, which ought to expand more rapidly than the motor group itself.

To reflect this different status, the E and H class shares (GME and GMH, respectively) are linked to the performance of their respective divisions; their dividends will depend on the earnings of these bits of the company.

At EDS, for example, GM has promised to keep dividend payout at around 25 per cent of net profits (about the level before the acquisition) while computing income on an arm's-length basis. A floor has also been placed under the value of the shares by guaranteeing holders a specific price in the future, which will be made up with cash if it is not achieved. Trading liquidity is being assured by the issue of additional stock—indeed, GM has already used the E class shares to raise capital.

It is too early to draw any positive conclusions from this topsy-turvy performance but analysts make the following points:

Analysts are inclined to be cautious about how the GMH shares will trade, despite the precedent of the E class stock. In the early days, investors reacted warily to the GME shares, partly, says Mr Curt Monash of Paine Webber, because "many auto analysts didn't understand high tech and the technology analysts didn't know anything about autos." Suddenly, the GME stock took off, soaring from a low of $33 to $79¾.

There is some mystification on Wall Street at the 180-degree turnround, particularly since this stellar performance has been maintained at a time when most high technology shares have been taking their worst hammering in a long time.

Last week, at $77 a share, GME stock was trading at a price/earnings ratio of almost 26 on earnings of $3 a share, estimated as reasonable for 1985 by Mr David Readerman of Smith Barney. This compares with GM's lowly p/e of around 5 and is well over double the p/e of the estimated earnings of the S &P 500 companies. Yield on the old GME stock is, not surprisingly, under 1 per cent.

First, the GME and GHM stock remain, at the end of the day, shares in General Motors. It is up to the GM board to decide dividend policy and, whatever it may say now, that could be changed. It is equally unrealistic to expect the two newly-acquired companies to remain exactly the same sort of entrepreneurial organisations they used to be.

Secondly, in the case of EDS, a lot of earnings are tied up directly in GM—indeed, Mr Readerman believes that $1.65 of its net income this year will be GM-related, leaving the rest of its profits fairly static. Hughes will have less GM-related work, but even so both of the new divisions are clearly sensitive to group transfer pricing policies.

Thirdly, now that GM has breached the old rules of the NYSE on dual-class common stock, other companies are going to rush through the gap—and some, perhaps, for less responsible reasons. Both the fashion for dual-class shares, and the fact that several may not be high class issues, mean that the novelty value of the GM-related issues is likely to recede.

"I think that to the extent that there are further issuances of new classes of stock to represent earnings in wholly-owned subsidiaries, it will dilute the significance of GM's special shares and adversely affect their valuation," Mr Readerman concludes.

Terry Dodsworth

Actinor seeks to force offer for minority shares

BY FAY GJESTER IN OSLO

THE BOARD of Actinor (formerly Norgas), a Norwegian company with interests in pharmaceuticals, welding equipment and marine services, is seeking to force Hafslund, a Norwegian engineering group, which has acquired more than half of Actinor's 5.8m shares, to make an offer to minority shareholders.

Hafslund, which has been buying Actinor shares for several months, announced late last week that its stake had passed 51 per cent in addition to convertible bonds equivalent to a further 380,000 shares.

Actinor has a total market value of about NKr 1.3bn ($147m). Its board believes Hafslund should be prepared to put up funds for a 100 per cent takeover — offering minority shareholders the same price it has paid for the controlling stake whichit has now acquired. Last Friday Actinor shares closed at NKr 218/219, down about NKr 4.5 after it became clear that Hafslund was no longer in the market.

The Actinor directors have asked the Oslo Stock Exchange council for its views, before they formally approve Hafslund's most recent share purchases. Mr Erik Jarve, the commissioner of the exchange, said Actinor's request would probably be discussed at the council's next meeting, on Wednesday. He pointed out, however, that there was no rule obliging one company to bid for all the shares in another, simply because it has acquired a controlling stake.

Hafslund, which produces NKr 33m.
ferro alloys and electricity for sale, and provides engineering consultancy services, achieved turnover of NKr 215m in the first quarter of 1985—30 per cent up from the same period last year. Pre-tax profits almost doubled to NKr 62.7m, from

Its 6.24m shares (par value NKr 20) are currently trading at around NKr 253, making its market value NKr 1.6bn.

Canadian bank lifts Australian stake to 100%

By Bernard Simon in Toronto

TORONTO Dominion Bank of Canada is to buy out its European, Australian and Japanese partners in Euro-Pacific Finance Corporation, the Australian merchant bank.

The Canadian bank is understood to have paid around A$25m (U.S.$16.5m) to increase its stake in Euro-Pacific from 12.5 per cent of 100 per cent. The acquisition marks a departure for TD, which has preferred up to now to build up its foreign operations from scratch.

A bank official said that the purchase would give TD "a small window on a market where we think there's potential." Royal Bank of Canada was the only Canadian institution given permission by the Australian Government earlier this year to set up a full banking operation in Australia.

Euro-Pacific had assets of A$573m on March 31 and shareholders' funds of A$26.3m.

Foodmaker chain buyout agreement terminated

BY WILLIAM HALL IN NEW YORK

A PLANNED $500m leveraged buy-out of Ralston Purina's Foodmaker fast-food chain, which was announced at the end of April, has collapsed because of a downturn in the U.S. economy.

In a brief statement over the weekend, Ralston Purina and Forstmann Little, the New York investment bank which was arranging the deal, said the agreement to sell Foodmaker had been terminated.

The two sides blamed economic conditions in the industry and a decline in Foodmaker's earnings. Most of Fodmaker's 800 Jack in the Box fast-food restaurants are in California, Texas and Arizona.

The collapse of the deal is a setback for Ralston Purina which, in common with several large U.S. food companies, has been reversing earlier diversification moves

NYSE may delist Allis

THE NEW YORK Stock Exchange has warned Allis-Chalmers, the struggling farm equipment and industrial machinery group, that it might delist the company's shares because it went ahead with the conversion of part of its debt to equity without seeking prior shareholder approval, our New New York Staff writes.

Under a recapitalisation programme announced last month, the group immediately converted $35m of private debt into equity and announced two subsequent $15m contingent conversions of debt to equity.

The NYSE has advised Allis-Chalmers that, according to its rules, the conversion of debt to equity that took place on May 24 should have had prior shareholder approval.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead Manager	Offer yield %
U.S. DOLLARS							
Jartan §‡	20	2000	15	3¼	100	Nikko Secs.	3.250
Oest. Volksbanken (b)†‡	50	1995	10	⅛	100	Chase Manhattan	–
Comerica Inc. (c)†‡	75	1997	12	⅛	100	CSFB	–
Credit Lyonnais (d)†‡	300	2000	15	1/16	100	Credit Lyonnais	–
Thomson-CSF §	75	2000	15	(6½–7)	100	Morgan Stanley	•
Nippon Kan. Kakumaru §	50	2000	15	(3)	(100)	NKK	•
Nippon Kokan ‡	50	1990	5	10	100⅞	Bankers Trust Int.	9.771
Somat Finance Inc. ‡	100	1992	7	11⅛	100	SBCI	11.125
Denmark (e)‡	100	1992	7	10½	100¼	Kleinwort Benson	10.448
Nippon Credit Bank ‡	150	1995	10	10⅜	100	Morgan Stanley	10.375
Christiania Bk (b)(g)†‡	56	1995	10	⅛	100	Merrill Lynch	–
Barclays Bank (h)†‡	600	–	–	¼	100	Barclays Merchant Bank	–
Iceland (b)†‡	125	2000	15	⅛	100	BoA Int.	–
Nippon Mining ¶	50	1990	5	(7¼)	•	Yamaichi Int. (Eur)	•
Atlantic Richfield ‡	250	2000	15	10¼	99¾	Salomon Brothers	10.283
Bqe Intl.l'Afrique (i)†‡	50	1995	10	¼	100	Man. Hanover	–
Ford Motor Credit ‡	100	1990	5	9½	99¾	Goldman Sachs	9.565
Escom (S.Africa) ‡	100	1991	6	11½	100	UBS (Secs)	11.500
EDF ‡	125	1995	10	10	99½	UBS (Secs)	10.082
Seagram Co. ‡	100	1995	10	10	100	SBCI	10.000
Copenhagen Handelsbk (d)†‡	100	2000	15	1/16	100	Morgan Guaranty	–
Marubeni Fin. ‡	100	1995	10	0	39.15	Nomura Int.	9.831
AUSTRALIAN DOLLARS							
Sec. Pacific (Aus) (f)‡	60	1990	5	13⅛	100¼	Orion Royal Bank	13.054
AIDC ‡	40	1988	3	12⅞	100⅜	Orion Royal Bank	12.717
Chrysler Fin. ‡	45	1992	7	13⅝	100¼	Banque Paribas	13.568
Fin. Corp of N.Zeal. ‡	25	1990	5	14	100¼	Bqe Gutzwiller, K.B.	13.927
NEW ZEALAND DOLLARS							
Danish Exprt Fin. ‡	40	1990	5	16⅛	100	Salomon Brothers	16.125
KB-IFIMA ‡	50	1990	5	16⅜	100	Morgan Guaranty	16.375
Swedish Export Cr. ‡	50	1990	5	16	100¼	Goldman Sachs	15.924
D-MARKS							
Fujitsu §‡	300	1990	5	2½	100	Deutsche Bank	2.500
Ireland (a)†‡	500	1997	12	⅛	100	Commerzbank	--
Raufoss **‡	30	1995	10	7⅜	99½	BHF-Bank	7.448
SWISS FRANCS							
Coleco Industries ‖§‡	150 max	1993	–	6½	100	Soditic	6.500
Shikoku Electric ‡	100	1995	–	5¾	100¼	UBS	5.691
Asahi Malleable **‡	25	1990	–	3⅜	100	Bk Julius Baer	3.375
Hanwa **¶‡	70	1990	–	3¼	100	Swiss Volksbank	3.250
Fujitsu §‡	150	1993	–	1⅝	100	Crédit Suisse	1.625
Fujitsu **§‡	250	1990	–	1⅜	100	Crédit Suisse	1.375
Asics Corp. **§	50	1990	–	(1¾)	100	Crédit Suisse	•
Okuma & Howa Mach. **§	40	1990	–	(1¾)	•	Mgn Grenfell (Switz)	•
Keio Teito Elec. Rail. **	50	1990	–	(3½)	•	UBS	•
Elec. Comm.of Victoria ‡	200	1995	–	5⅜	100	SBC	5.375
Manitoba	200	1997	–	(5½)	•	UBS	•
Olivetti Int. ‡	100	1995	–	5½	100½	Mgn Guaranty (Switz)	5.434
Rhein Kraftwerk **‡	10	1989	–	4¾	100¼	Credit Suisse	4.680
Oest. Kontrollbk **‡	50	1989	–	5¼	100¼	Wirtschafts- und Privbk	5.179
Oest Kontrollbk **‡	50	1992	–	5½	100	Wirtschafts- und Privbk	5.500
Malaysia	120 max	1997	–	(5⅝)	•	UBS	•
ICN Pharma Inc. §	50	1995	–	(5¾–6)	•	Bqe Gutzwiller, K.B.	•
ECUs							
Mitsui Trust ‡	60	1993	8½	8⅞	100½	CSFB	8.785
Creditanstalt Bkverein ‡	67.5	1994	9½	8⅞	100⅜	General Bank	8.800
Credit National ‡	50	1995	10	8⅞	100	Credit Lyonnais	8.875
STERLING							
GMAC UK ‡	30	1990	5	10½	100	Morgan Grenfell	10.500
NORWEGIAN KRONE							
Den norske Industribk	200	1993	8	(10)	•	Christiania Bank	•
GUILDERS							
Finland ‡	150	1995	8	7¾	99	ABN	7.898
Buehrmann-Tetterode **‡	50	1990	5	7¼	99½	AmRo	7.373
LUXEMBOURG FRANCS							
Swedish Export Cr. **‡	300	1990	5	9¼	100¼	Kredietbank Int.	9.185
Skandinaviska Ens. **‡	300	1990	5	9⅜	100¼	Bqe Gen. du Luxem.	9.310
Credit Lyonnais ‡	600	1993	7¼	9	100	Kredietbank Int.	9.000
YEN							
Tunisia **‡	5bn	1995	8	7.7	100	Nomura Secs.	7.708
Thailand ‡	10bn	1992	6.4	7	100	Nikko Secs.	7.000

* Not yet priced. ‡ Final terms. ** Private placement. § Convertible. † Floating rate note. ¶ With equity warrants. ‖ Dual-currency. (a) ⅛ over 6m Libor, 1/16 over 6m Libor last 4 yrs. (b) ⅛ over 6m Libor. (c) ⅛ over 3m Libor. (d) 1/16 over 6m Libor. (e) Partly paid. (f) Extendible to 1995. (g) Additional $19m tap. (h) ¼ over 6m Limean. (i) ¼ over 6m Libor. Note: Yields are calculated on AIBD basis.

UK COMPANY NEWS

Underwoods chain lines up SE launch later this year

BY TERRY GARRETT

Underwoods, the London-based retail chemist chain, is getting ready for a full stock market launch later this year which could value the company at around £25m to £30m.

Stockbrokers Hoare Govett and merchant bankers Morgan Grenfell have been appointed to advise on an offer for sale.

Having started life as a straightforward chemist business with one shop in the City of London in 1958, the company has expanded rapidly in recent years under the guidance of Mr Brian Kerner, its managing director.

By the end of January, the company's financial year-end, Underwoods had just over 30 shops operating within central London. Its furthest outpost is Putney. Since then several shops have been opened, the latest being another branch in the Strand.

Like others in the sector, Underwoods has spread its range beyond the traditional lines of cough medicines and cosmetics to embrace audio and photographic departments and gift counters. Mr John Richards, retailing analyst with brokers Wood Mackenzie, describes the brightly presented shops "As London's own convenience chain rather than a traditional chemist."

Pre-tax profits for the year to January last were around £1.5m, a rise of about two-thirds over the previous 12 months, on sales in the region of £30m.

The company's track record does not show a totally smooth progression in profitability, having been caught out by fluctuations in tourist spending. In the last few years, however, the merchandise mix has been changed to limit its exposure to the vagaries of tourist traffic and a more stable profile has emerged.

The five-year profits record that will be included in the prospectus should demonstrate strong growth as the company continues to capture market share from the likes of Boots.

Given the pace of its new store opening programme the directors could come to the market in late autumn forecasting profits comfortably ahead of £2m for 1985-1986.

Although Underwoods would lack the glamour of Superdrug's entry into the market two and a half years ago, where the national chain of over 200 outlets attracted £1.47bn of investors' money for just £15.4m of equity on offer, Underwoods should be priced at a sizable premium to Boots.

In today's market the company could expect to present itself for sale on a prospective earnings multiple in the high 'teens or possibly low twenties.

Because of the large physical presence within central London a reasonably priced issue would be bound to attract a considerable amount of interest from professional investors, especially given the current enthusiasm for specialist retailers.

Brammer sets £12m target in face of bid

Brammer is forecasting a profits increase of at least 18 per cent to £12m pre-tax for 1985 and a 61.3 per cent jump in its dividend payout to 12.5p per share.

The forecasts are included in a document sent out to its shareholders over the weekend urging them to reject the £133m bid from Bunzl and vote for Brammer's own £44m bid for Energy Services and Electronics.

Brammer is firing off the big guns of profit and dividend forecasts early in the three-cornered fight in response to Bunzl's increased bid on Friday, coming just two days after the offer document on its original bid, which has already been declared as final by Bunzl.

Earlier drafts of the document had no mention of forecasts for this year.

Mr John Head, Brammer's chairman, says that the Bunzl offer is totally inadequate and "pays scant regard to the quality of our business, the excellence of our record and the brightness of our prospects."

"The cash offer represents a premium of only 20.7 per cent over the Brammer share price the day before the announcement of Bunzl's offer. This is a wholly inadequate premium," Mr Head argues.

In increasing the dividend to 12.5 per cent, Brammer has lifted the potential income return to shareholders to mean that Bunzl is not offering any increase in income.

Setback at BIS as profits fall

FOR the first time in a decade of constant growth, Business Intelligence Services, the international management information and communications specialist backed by a group of City institutions, has reported a drop in pre-tax profits.

For the year ended February, 1985 pre-tax profits fell by 16 per cent to £2.8m on turnover which increased by 32 per cent to £41.1m. At the operating level BIS was marginally ahead at £3.27m, but exceptional costs of £363,000 due to an office relocation and a sharp swing from interest receiveable and other income of £239,000 to a charge of £11,000 resulted in the pre-tax setback.

Mr Brian Allison, founder, chairman and chief executive, described the figures as "not terribly pleasing by my standards, but good in relationship to the industry."

The growth at the operating level has been achieved by "excellent perofrmances from our information systems, marketing research and direct marketing businesses, despite a disappointing first half year in some of our computer shoftware operations, particularly in North America and in our new insurance systems business.

"However, our computer software managements achiveed a much improved second half year, especially with our banking systems in Europe, the Middle East and Asia-Pacific."

The problems in North America were caused by the slowdown in international banking activity according to Mr Allison where the company "shot itself in the foot" by not reacting quickly enough to the change of climate. "We have taken people from New York and put them elsewhere," he adds, "though overall the New York difficulties cost us about £½m."

Developing computer software management systems for the insurance industry also cost the company around £0.5m but this year Mr Allison is confident that a small profit, of perhaps £0.25m, can be achieved.

The recovery of the second half of 1984-85 is expected to continue strongly into the current financial year and he is anticipating profits of over £4m pre-tax on sales of £48m.

In 1982, an institutional placing took place which left 67 per cent of the equity in the hands of 10 institutions—Barings, Charterhouse, Chatsworth Management, John Govett, Henderson Administration, Montague Investment, Phillips and Drew, Schroder Wagg, 3i and Warburgs.

Better trend at Somic

AN IMPROVEMENT in results has been achieved by Somic in the second half, and over the year ended March 31 1985 its net attributable profit comes to £81,000, compared with £222,000 previously. After passing the interim, the company is proposing a final dividend of 1.5p net, which goes against a total of 2p.

The directors feel that, unless unexpected problems arise, the changes made over the last year combined with the plans in progress, will enable the company to continue the improvement shown in the latter half of 1984-85. The company manufactures yarns, cords and woven fabrics, chiefly from kraft paper and plastic materials.

Turnover in 1984-85 improved by £300,000 to £3.06m.

Plantation & Gen. leaps

Both turnover and pre-tax profits more than trebled in 1984 for Plantation & General Investments, the engineering and plantation group. On turnover up from £3.41m to £11.14, pre-tax profits rose from £757,000 to £2.27m.

Directors say the substantial improvement is the result of the consolidation of its engineering subsidiary Telfos Holdings for a full year and the inclusion of the Anglo-Indonesian Corporation as an associate for the first time.

A breakdown of the profits before tax and interest payments shows that plantations earned £875,000 (£238,000), engineering £922,000 (£424,000), investment activities £96,000 (£431,000) and the share of associate company profits £753,000 (nil).

High tea prices enabled the Nchima plantation in Malawi to produce excellent results.

With taxation at £562,000, against the previous year's £173,000, minority interests taking £296,000 (£49,000) and an extraordinary item of £92,000 (nil), attributable profits were £1.32m, compared with 536,000

Earnings per share were 38.4p basic (18.6p) and 33.8p fully diluted (15.6p). A final payment of 3p is proposed, making a total for the year of 5p against last year's total of 4p.

For the present year the directors say that the recent fall in tea prices will affect the results of the Malawi plantation and they do not expect the results of Anglo-Indonesian to be as good as those for 1984. A further satisfactory improvement is predicted for Telfos, however, and they are cautiously optimistic about the year's prospects.

Caledonia

Caledonia Investments, which has interests in combustion equipment, refractory fittings, industrial aerosols and cold stores as well as acting as an investment company, has improved pre-tax profits for the year to end-March, from £5.92m to £6.64m.

The dividend is in effect increased to 2.3p making 4p (3.5p adjusted) for the year. Net earnings per 5p share are shown as 4.53p (3.98p adjusted).

Piccadilly Radio ahead

In the first half ended March 31 1985 Piccadilly Radio, which runs local radio in the Greater Manchester area, has pushed up its pre-tax profit from £173,000 to £201,000. The interim dividend is again 1.75p net on the A ordinary 10p shares and 0.875p on the non-voting 5p shares.

From a maintained turnover of £2.14m the operating profit was increased by £33,000 to £455,000; but part of that was taken by a rise in IBA rentals and Government levy to £264,000 (£253,000). Tax absorbs £88,000 (£85,000) to leave earnings at 2.18p (1.69p) per 10p share.

Mr Norman Quick, the chairman, says the station has combated the decline in national advertising by strenghthening the local selling team and working hard on marketing. Also, costs have been kept under tight control.

Trading in the second half continues to be difficult but he is confident that the results for the full year "will not be dissimilar" from those of 1983-84. That year produced a turnover of £4.33m and a pret-tax profit of £441,000.

McLeod Russel

Pre-tax profits at McLeod Russel, the plantations to manufacturing group, amounted to £9.61m for the six months to March 31, 1985. This is the first time that the company has produced interim figures, and there is no relevant comparison, but for the 18 months to last September 30 the taxable result was £12.02m.

Mr John Guthrie, the chairman, said that the crops of the plantation companies were seasonal, and that the results include 12 months profits for a related company. The figures therefore should not be taken as a guide for the year as a whole, but he is confident of good results for the full year.

An interim dividend of 3p is proposed, with earnings per share stated at 47.59p (52.45p for 18 months).

Turnover for the six months came to £12.47m.

Kynoch in profit

G. & G. Kynoch, woollen cloth maker, turned in a pre-tax profit of £1,473 for the half year to February 28, 1985, against a £39,088 loss last time. After a five year absence, the interim dividend is restored with a 0.5p net payment.

The directors are confident that the full year will produce a significant improvement in trading profits.

First-half sales were £1.39m (£1.12m). Interest took £88,948 (£41,394) and tax £1,596 (£1,462). Stated loss per 25p share decreased from 7.3p to 0.6p. There was also an extraordinary charge of £35,618 this time.

Keystone Investment

Keystone Investment Company increased net asset value to 467p per 50p share as at April 30, 1985, against 405p a year earlier.

Pre-tax revenue for the six months to end April rose from £528,937 to £561,054. After tax of £188,455 (£182,119) stated earnings per share improved from 4.82p to 5.19p. The interim dividend is maintained at 4p net.

Gross income grew from £632,524 to £679,787.

FT Share Information

The following securities have been added to the Share Information Service:—

Anglo Eastern Plantations (Section: Plantations)
Astra AB (Industrials)
Banco de Bilbao S.A. (Banks, HP and Leasing)
Banco de Santander S.A. (Banks, HP and Leasing)
Birmingham 13½pc 1989 (Corporation Loans)
House Property Company of London (Property)
Lennard Oil N.L. (Oil and Gas)
Maxiprint (Industrials)
Persimmon (Buildings)
Plantation Trust Co. (Ordinary and Warrants) (Investment Trusts)
Thames Mining N.L. (Mines-Australians)
Wyko Group (Engineering).

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price p	+ or −	Net Div.	Times covered	Gross Yield	P/E Ratio
§93	F.P.	28/6	106	104	✣Abbeycrest 10p	106	......	[illegible]	[illegible]	[illegible]	[illegible]
§195	F.P.	31/5	161	154	✣Aspen Comms. 5p	174	......	u4.0	[illegible]	[illegible]	[illegible]
172	F.P.	28/6	190	176	Asda Property 20p	184	−6	u3.0	[illegible]	[illegible]	[illegible]
275	200	10/9	255	203	British Aerospace 50p	203	−10	15.65	[illegible]	[illegible]	7.0
§76	F.P.	—	88	80	✣Browns (C.) Car 10p	87	−1	bg2.5	[illegible]	[illegible]	[illegible]
165	F.P.	31/5	178	168	✣Clayform Props. 5p	168	......	bg7.5	[illegible]	[illegible]	[illegible]
135	F.P.	21/5	138	118	Coloroll 10p	120	......	bg4.5	[illegible]	[illegible]	[illegible]
§84	F.P.	21/5	105	97	✣Datron Int'l. 5p	103	......	u1.0	[illegible]	[illegible]	[illegible]
200	F.P.	31/5	300	260	Domino Print. Sciens.	270	−8	u1.75	[illegible]	[illegible]	[illegible]
§117	F.P.	31/5	130	120	✣Electron House 10p	125	......	bg2.7	[illegible]	[illegible]	[illegible]
§300	F.P.	28/6	443	370	✣Holmes & March. 10p	438	−5	u8.5	[illegible]	[illegible]	[illegible]
§150	F.P.	7/6	208	165	✣Huntleigh Tech 5p	202	......	u1.6	[illegible]	[illegible]	[illegible]
100	F.P.	21/6	103	101	MartinCurrie Pac. 50p	103	+1	—	—	—	—
§120	F.P.	7/6	186	143	✣Moorgate Group 5p	186	......	bg2.0	[illegible]	[illegible]	[illegible]
50	F.P.	—	50½	50	Nordic Inv. Trust 10p	50½	......	—	—	—	—
41	F.P.	—	47½	43	✣Perkins(J.)Meats 10p	44	......	b.g1.8	[illegible]	[illegible]	[illegible]
100	F.P.	7/6	106	85	Prestwick 5p	85	......	u2.1	[illegible]	[illegible]	[illegible]
‡175	F.P.	7/6	206	175	✣Sherwood Com 10p	183	......	82.75	[illegible]	[illegible]	[illegible]
§120	F.P.	26/6	125	107	✣Viewplan 5p	115	......	u1.88	[illegible]	[illegible]	[illegible]
95	F.P.	—	106	103	✣Wold 5p	106	......	u2.3	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price £	+ or −
¶	Nil	26/7	7pm	4pm	Allebone 8¼% Cnv. Cum. Rd. Prf.	7pm	+1
¶	Nil	2/8	80pm	60pm	Assoc. Brit. Eng. 8% Cum. Cnv. Rd. Prf.	60pm	−5
¶¶	F.P.	25/5	107	100	Bramall (C.D.) 10% Cnv. Uns. Ln. 98/2003	105	......
¶	Nil	—	6pm	4pm	Kennedy Brookes 8¼% Cnv. Un. Ln. '92	5pm	......
¶	Nil	5/7	9	7	Lon. & Edin. 8½% Conv. Cum. Rd. Prf.	8	......
90.705	£30	6/6	31½	29¾	Malaysia 10¾% Ln. 2009	31¼	......
—	F.P.	—	100⅛	99¾	Nationwide Bldg. Soc. 12⅞% 18/5/86	100⅛	......
—	F.P.	—	100¼	100⅛	Do. 12½% 9/6/86	100⅛	......
—	F.P.	6/6	99	98	Plantation Trst 7½% Cnv. Uns. Ln. 2000	98	......
§	F.P.	6/6	110½	106	Queens Moat 7% Cnv. Rd. Prf.	110½	+1
‡	F.P.	19/7	105	100	Russell (A.) 5.75% Cum. Cnv. Rd. Prf.	100	......
94.895	£30	12/7	36¾	30	Spain (Kingdom of) 11¾% Ln 2010	35¾	−½
¶	Nil	—	10½pm	5½pm	Woolworth 8¼% Cov. Uns. Ln. 2000	5½pm	−2

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price p	+ or −
195	Nil	16/7	21pm	4pm	Anchor Chemical	10pm	+1
200	F.P.	20/6	385	353	Bank of Scotland £1	375	−10
150	F.P.	14/6	400	323	Barclays £1	380	−10
350	F.P.	5/7	406	372	Beazer (C.H.) 70p	404	−1
28	F.P.	26/6	29½	28	Brit. Empire Sec. & Gen. 5p	28½	......
134	Nil	11/6	23pm	20pm	✣Godwin Warren	22pm	−1
80	F.P.	26/6	93	85	✣Grosvenor Square 10p	95	......
66	F.P.	5/7	80	73	Lon. & Northern	78½	−½
515	F.P.	12/7	642	625	Low (Wm.) 20p	628	−12
286	F.P.	12/6	360	335	Memec 10p	335	......
26	F.P.	26/6	43	39	Newman Inds. 10p	40	−1
70	F.P.	4/7	77	72	✣Rivlin (I.D.S.) 5p	75	......
120	F.P.	12/7	152	130	Suter 5p	130	−2
222	F.P.	28/6	268	238	Tesco 5p	258	−4
10	Nil	12/7	29½pm	17pm	"The Times" Veneer	23pm	−½
150	F.P.	12/7	210	178	Tomkins (F.H.) 5p	206	......
2	Nil	—	1½pm	1pm	Wilshire Systems	1pm	−½

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

Company	Date	Announcement last year
*Amersham International	June 10	Final 3.1
Anglo Amer Corp SA	June 4	Final 85c
*Argyll Gp	June 11	Final 4.643
Assoc Newspapers	July 12	Interim 4.5
*Avana	June 17	Final 5.625
*BPB Inds	June 26	Final 4.2
*Bassett Foods	June 12	Final 4.58
*Beecham	June 12	Final 5.6
*Bensford (S. & W.)	June 17	Interim 3.5
British Land	June 19	Final 1.5
*British Telecom	June 19	Final due
Burnett and Hallamshire	June 22	Final 4.75
*Cable and Wireless	June 26	Final 4.1
Centrovincial Estates	June 14	Final 3.0
Charter Cons	June 27	Final 7.25
Desjan	July 11	Final 9.625
Daily Mail & Gen Tst	July 12	Interim 12.0
*Dawson Intl	June 20	Final 4.9
*Electrocomponents	June 10	Final 2.7
*Elliott (B.)	June 13	Final nil
Ferranti	June 27	Final 4.4
*Fitch Lovell	June 20	Final 6.7
GEI Intl	June 19	Final 3.555
*Great Portland Ests	June 12	Final 4.5
Greycoat City Off	July 12	Final 0.8
*Guinness	June 11	Interim 1.82
*Hambros	June 25	Final 42.75
Haslemere Estates	July 12	Final 6.61
*Imperial Cont Gas	June 27	Final 8.5
Imperial Gp	July 12	Interim 3.0
Intasun	July 3	Final 2.6
Johnson Matthey	June 20	Final 7.0
LRC Intl	June 19	Final 2.35
London and Midland Indl	July 10	Final 4.5
Magnet and Southerns	July 12	Final 2.7
*Metal Box	June 11	Final 9.19
*Meyer Intnl	June 18	Final 3.1
*NatWest	July 30	Interim 12.0
*Northern Foods	June 19	Final 2.5
*Pilkington Bros	June 12	Final 6.5
*Powell Duffryn	June 19	Final 11.0
*Racal Electronics	June 24	Final 2.16
Rank Organisation	July 12	Interim 4.8
Ratners	July 12	Final 1.63
*Redland	June 13	Final 6.175
Scottish and Nwcstle Brws	July 3	Final 3.84
*600 Group	June 13	Final 9.5
*Staveley Inds	June 13	Final 4.0
*Tesco	June 12	Final 2.6
Thorn EMI	July 12	Final 12.5
Trusthouse Forte	June 25	Interim 1.125
*Unigate	June 17	Final 4.75
*Valor	June 12	Final 2.926
Vantona Viyella	July 3	Interim 4.0
Wedgwood	June 19	Final 3.6
Westland	June 13	Interim 3.0

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

SHARE STAKES

Changes in company share stakes announced over the past week include:

Francis Sumner—Mr Michael Maimann has increased his holding to 3.2m ordinary shares (11.94 per cent).

Empire Stores—P. Fattorini, a director, has sold 50,000 ordinary shares at 118p.

Micro Business Systems—Directors W. S. C. Richards and M. J. Brooke have each bought 25,000 ordinary shares at 126p.

Amari—A. Miller, a director, has disposed of 25,000 shares and now holds 39,717 ordinary and 133,335 'B' employee ordinary shares. Miss N. Brookes, also a director, has disposed of 5,000 shares and now holds 49,536 ordinary and 81,820 'B' employee ordinary shares.

Burgess Products—C. B. Cotton, a director, has disposed of 80,000 ordinary shares and now holds 471,988 shares (6.72 per cent).

Grand Metropolitan — S. G. Grinstead, a director, has sold 45,000 ordinary shares at 304p.

Cambrian and General Securities—S. J. Conway, a director, has bought 25,000 capital shares and is now interested in 35,000 capital and 25,000 ordinary shares.

Hanover Invs.

Hanover Investments (Holdings) has acquired F. S. Daniell and Sons, a specialist licensed trade valuer and estate agent of Colchester, Essex.

Lamont Holdings

Lamont Holdings, the investment holding company, has continued its excellent start to the present financial year, the chairman, Sir Desmond Lorimer, reported

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims:—Carr's Milling Industries, Durban Roodepoort Deep, East Rand Proprietary Mines, Hardanger Properties.

Finals:—Amersham International, Blyvooruitzicht Gold Mining, Caffyns, Electrocomponents, Electronic Rentals, F & C Alliance Investment, Hazlewood Foods, Property and Reversionary Investments, Southwest Resources.

FUTURE DATES

Interims:—

El Oro Mining and Exploration	June 12
Exploration Co	June 12
Updown Investment	July 24

Finals:—

Brown Shipley	June 13
Updown Investment	July 24
Leigh Interests	June 17
Pauls	June 13
Platon International	June 18
Racal Electronics	July 24
Shaw Carpets	June 25
Tex Abrasives	June 12
Toshiba	June 27

FINANCIAL TIMES STOCK INDICES

	June 7	June 6	June 5	June 4	June 3	May 31	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Government Secs.	81.81	81.85	81.86	82.00	81.92	81.36	82.00	78.02	127.4	40.0
Fixed Interest	86.38	86.37	86.30	86.38	86.26	86.06	86.38	82.17	150.4	50.0
Ordinary	1001.6	1007.6	1017.1	1020.2	1010.7	1002.5	1024.5	928.7	1024.5	40.0
Gold Mines	434.2	443.4	444.3	450.2	450.7	451.0	536.9	439.5	734.7	43.4
FT Act. All-Share	634.66	639.50	644.21	643.80	638.90	634.16	644.21	581.66	642.98	61.2
FT-SE100	1310.6	1322.0	1335.9	1336.6	1324.6	1313.0	1324.4	1206.1	1342.4	986.9

FINANCIAL TIMES SURVEY

Monday June 10 1985

Antwerp, Brussels and Namur in the three regions of Flanders, Brussels and Wallonia.

Fragile economic recovery remains blighted by high unemployment. The cacophony of regional argument remains a menacing backdrop to the coalition Government's plans for further change, but austerity will continue despite the approach of a general election. Even slight shifts in the political balance could make difficult the formation of a new government

BELGIUM

CONTENTS

Change creates choice for voters

By PAUL CHEESERIGHT

CLEAR CUT choices in this country of compromise are rare enough. But there is one available this year and it will be made when the next general election is held on December 8, unless a government crisis intervenes.

It boils down to whether Belgians want more of what they have been having since the end of 1981 or not. If they decide they do, they will vote back into power the current coalition partners — Christian Democrats and Liberals of centre-right persuasions. If not they will vote in such a way that any coalition will have to include Socialists.

It is true that, in recent weeks, most Belgians have had other things on their minds. There was the soothing influence of the Pope's visit. There was the appalling spectacle on the television of 38 people being killed at the Heysel football stadium after British football supporters did their worst and the forces of law and order could not cope. In the background, it is never clear where left wing action groups might next plant a bomb.

All that said, the undercurrent is the economy. That is where the choice is.

The Government of Mr Wilfried Martens has started a process of far-reaching change. It has successfully transferred resources from consumers to the corporate sector. It has gone part way through a programme to rein in public spending.

It will in the next few weeks start making the financial dispositions for a programme of tax cuts which begin in 1986 and unravel over succeeding years.

As well, it has taken decisions which lock Belgium anew into the Nato defence system by the deployment of cruise missiles.

So electors know the destination if they take the Christian Democrat-Liberal ticket. The party leaderships are committed to the programmes they have already initiated.

If electors do not like that ticket, they can vote for essentially regional parties, they can support the Greens, or Communists, or an anti-tax right wing party. But more importantly, in government terms, they can support the Socialist parties on each side of the Flemish-French linguistic divide.

Differences

Recent opinion polls have shown that the major Belgian concern is the level of unemployment. It is here that the Socialists bring a sort of post-Keynsianism into play with programmes for a selective reflation of the economy through increases in various sectors of government spending. What the present Government is cutting, they would replace.

The choice though is not necessarily ideological. The Belgian Socialists no more want to nationalise everything in sight than Mr Neil Kinnock, the British Labour Party leader. The Belgian Socialists accept the mixed economy. Where they differ from the Martens coalition is in the way the economy ought to work.

But there is another problem. While there is a broad identity of economic views between the Flemish and French Socialists, they have differences over questions relating to the links between Dutch-speaking Flanders and French-speaking Wallonia.

More than that, for the French Socialists there is no question of just removing 16 cruise missiles stationed in the country. But the Flemish Socialists are pledged to dismantle them.

There are uncertainties here which would make the formation of a new coalition involving the Socialists extremely complex, even accepting the Belgian political propensity for scaling down promises made in a campaign when the scent of office is high in the post-election coalition negotiations.

For negotiations there will be. The electoral system is strictly proportional. There is no single party, or family of parties — if one multiplies each party by two to take into account Flanders and Wallonia —which can on its own form a government.

There has not been a single party government since 1958 — the parties started to go regional in 1968. And there has not been a government which has lasted as long as the present one since 1965.

One key reason for such stability has been the coalition's success in keeping communal questions under control. Such questions — Flemish rights against Walloon rights, tinkering with the linguistic border which cuts the country in two, regional clashes over sharing the central government's cake —are always more politically charged than any other issue. Belgian coalitions do not collapse over weighty arguments about economic policy.

The trickiest test for the Martens Government was finding a means of bailing out Cockerill Sambre, the state steel group in Wallonia. That was done in 1983 with a formula of elegant complexity which gave Flanders something as well.

Since then, the main communal tripwire has been the question of the linguistic ability of elected officials in mixed language communes along the linguistic frontier. Cases bearing on this have been carefully put into special courts and will certainly not emerge before December.

But the next government is likely to find itself dealing in a more intense way with communal questions.

The last time round, it was a question of communal rights and powers which produced a generally federalist structure. This time though the bargaining could be even tougher, because at issue is the degree of financial power and responsibility that ought to pass to the regions.

It could be a difficult time. The present coalition has had a pact to push communal questions under the carpet and deal with the economy as the priority.

If political energies are to be devoted to constitutional blood-letting, then there is at least the possibility of a repetition of the 1970s when so much effort was devoted to the process which became the constitutional reform of 1980 that the economy sank.

The relative stability of recent years has meant decisions. Whether they were the right decisions is a matter of view. The coalition might have looked somewhat undignified going off into lengthy conclaves of negotiation, but it differs from its predecessors because it actually did something. The drift stopped.

Over the next few weeks the coalition will make decisions on the shape of a severe 1986 budget, disappear for the summer holiday and then come back for a period in which most, if not all, things will be done with an eye to the election.

Christian Democrat leaders are citing private polls which suggest their party has regained the ground it lost at the beginning of the year when the coalition was wrestling with the problem of whether to instal cruise missiles, and looking indecisive in the process

Their hope is that the coalition has engendered sufficient confidence to make it appear the only practical government. But the Socialists will be banking on the electorate believing not that decisions as such are good but that they were the wrong decisions.

How the regions compare

	Flanders	Wallonia	Brussels
Surface area (%)	44.3	55.2	0.5
Population (%)	57.2	32.7	10.1
Employment (%)	52.3	28.1	19.6
Exports (%)	69.6	24.6	5.8
Index of Industrial Production (1980=100) (without construction)			
1981	100.4	93.5	91.4
1982	102.2	89.5	92.8
1983	106.6	88.9	88.1
1984	107.7	96.4	91.0

Unemployment	'000	Rate of growth (%)	'000	Rate of growth (%)	'000	Rate of growth (%)
1983	285.1	10.4	164.9	9.8	54.9	14.2
1984	285.2	0.0	173.9	5.4	53.4	−2.7

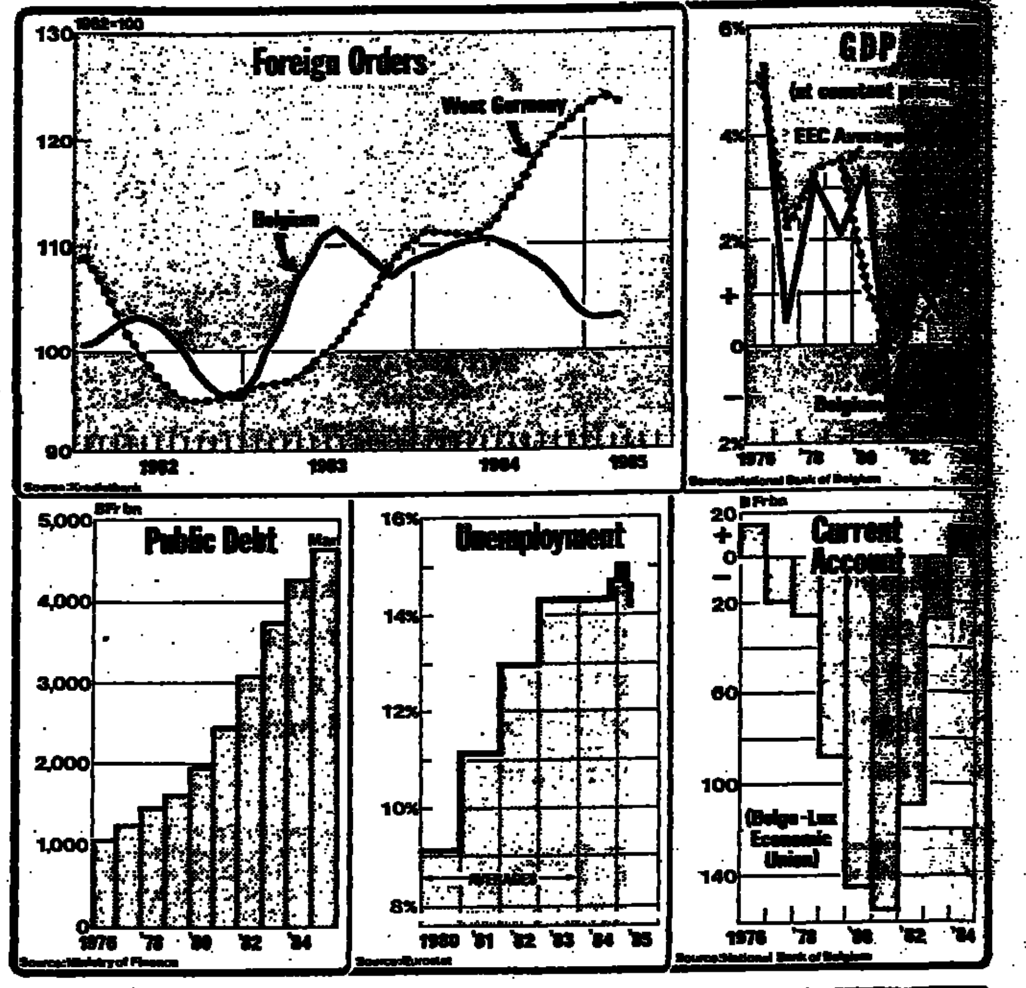
Sources: National Institute of Statistics, National Bank of Belgium

BELGIUM 2

Deficit trimming goes on

Economy

PAUL CHEESERIGHT



IF YOU forget it for a minute, the economy very quickly takes its revenge on you. The warning originally came from Pierre Mendes-France, the French statesman, and Mr Wilfried Martens, the Belgian Prime Minister, chose a speech in Paris last month to repeat it.

Certainly he cannot afford to turn a blind eye. Not only do economic issues remain at the centre of the electorally-charged political scene, but there is a danger that the gains from the sweat of the past three years' austerity could be eroded.

The basic problem for any Belgian leader of the 1980s is redressing the economic neglect of the late 1970s, when the balance of payments ran deficit after deficit and borrowing became addictive.

Companies were under-capitalised. They were being pushed out of foreign markets. Yet the country depended then and depends now on foreign trade — 70 per cent of the Gross National Product is tied to it.

It is different now. The sick man is out of bed, but he is not out of hospital.

As the Government moves into its last few months of office, it can point to a recovery in the current account and a return of corporate competivity as a plus. But as a minus, it has not been able to make a marked dent in unemployment and the public deficit is still at a damagingly high level.

Improvement in the current account — the Belgo-Luxembourg Economic Union ran its first surplus since 1976 last year —has resulted primarily from an improvement in merchandise trade balance. That in return reflects the return of Belgian companies to the competitiveness levels of the early 1970s.

Improvement

Responding to incentives for the raising of new capital, shareholders' funds rose some 20 per cent in 1982-83, with the infusion of BFr 347bn of new funds. While this was going on companies were drawing the benefits of a reduction in corporate tax from 48 to 45 per cent, the effects of an 8.5 per cent devaluation in spring 1982 and tightly controlled wage policies.

All of that, translated into the winning of business on foreign markets, meant a steady improvement in the balance of payments. A deficit on the current account of the balance of payments which had touched the equivalent of 4.5 per cent of GNP in 1981 was transformed to equilibrium last year. The surplus expected this year is officially put at the equivalent of 0.5 per cent of GNP.

The key question now is whether the improvement will be sustained. Much depends on internal costs. Although the Government has permitted a return to wage indexation, it has constituted at the same time a legal competitivity norm, which runs to the end of next year.

In effect this means that wage rates cannot increase more than the average of Belgium's seven principal trading partners. If they do, then the Government can intervene in the setting of the indexed wage rates. This has not happened so far. But it could later this year.

The technical calculations on wage rates are done twice a year. This could lead to the necessity of Government intervention in September, just the time it would seek to avoid having to impose what in effect would be wage cuts.

But competitivity is being eroded. The trend of wage costs on the government norm was less than 1 per cent higher in Belgium last year, relative to the seven partners, but could be about 1.9 per cent this year.

Government planners are relaxed about a percentage point here and there but both they and private sector analysts agree that the average disguises the increasing seriousness of Belgium's position compared with that of Germany and the Netherlands. German sniff, Belgian cold—the old saw is taken seriously.

Both Fabrimetal, the engineering industry body, and Kredietbank believe Belgian competitivesness in wage costs terms has deteriorated 9-10 per cent against West Germany. This is partly compensated by gains on the UK and Italian markets, but Fabrimetal noted, it is easier to lose in Germany than gain in Italy.

Partly the problem is linked to different inflation rates—that of Belgium is now running at 5.3 per cent—but employers also complain that because of changes in the contributions they make for employees to the social security system, their labour costs are increasing even if wages rates are not.

Here, then, is the danger that gains from the early years of the Government might be lost. Even Christian Democrat leaders are talking of the need for some pretty difficult decisions early next year.

They will come on top of a further series of decisions the Government has to make next month. Then it must decide how to trim the public budget further to make room for a promised BFr 15bn of personal tax cuts.

Economic packages

Such cuts are the latest element in the evolving government economic policy, presented as the counterpart to the rehabilitation of corporate finances. But the trimming of the public deficit has to go on in any case, along lines established in a series of economic packages.

The business community complains that the level of official spending is still too high. Certainly the size of the deficit has continued to rise in absolute terms. The difference between now and 1981 is that its size as seen as a proportion of GNP has started to move down.

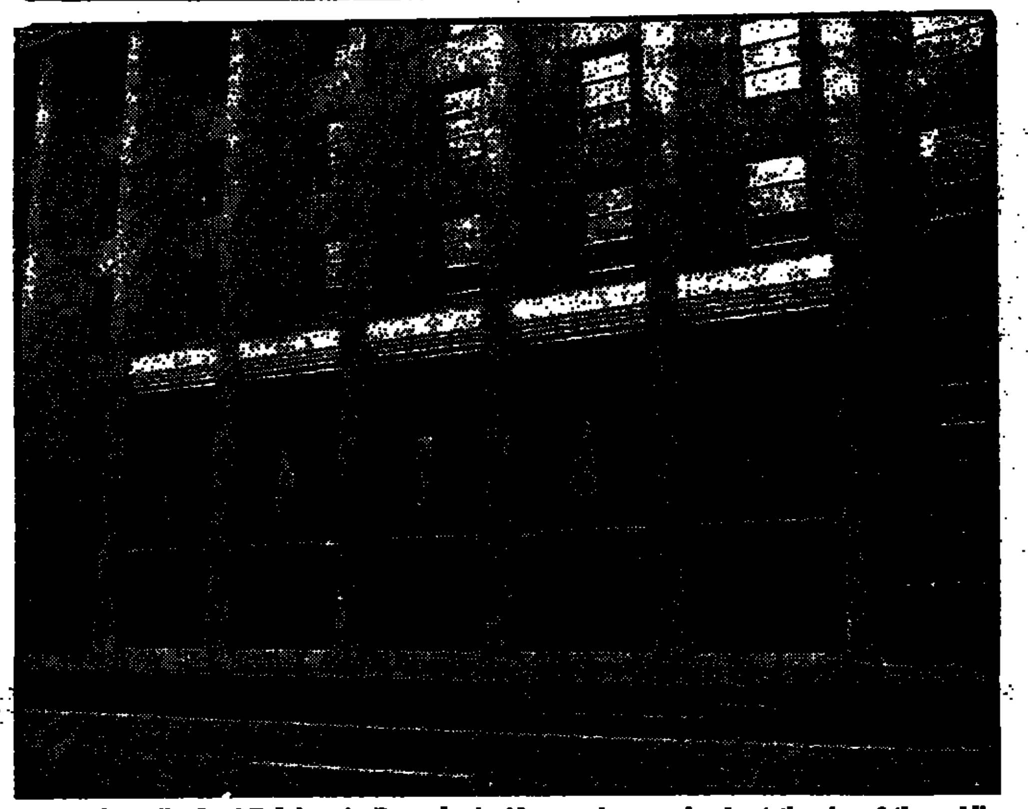
The target is to bring the deficit down to the equivalent of 7 per cent of GNP in 1987. This year the level will be about 10 per cent.

This is substantial progress because the deficit reached 16.3 per cent of GNP in 1981. But it is also gradual progress, a political necessity in a country where much employment is dependent on the activities of the public authorities.

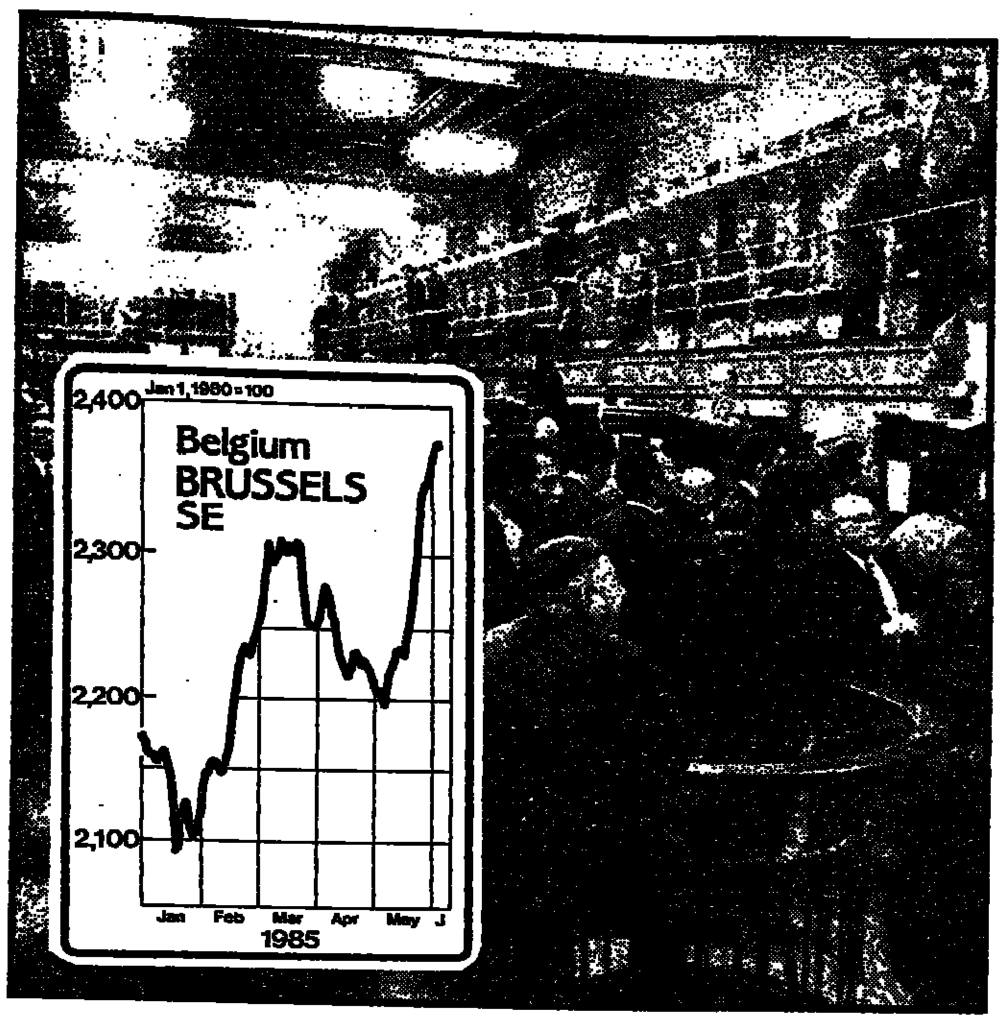
But it is employment which could prove to be the Achilles heel of the Government when the electorate votes on its economic policies. Although private sector investment has been increasing, the rate has not been sufficient to cut back a jobless rate which is now running some three percentage points above the EEC average at over 13 per cent.

Government policy has sought to make more room on the labour market. It has tied wage restraint to the pressures on companies to take on more people. It has promoted job-sharing and part-time working.

At the same time it has encouraged with financial incentives earlier retirement and extended the period of education so that the young come on to the labour market later. But, as officials acknowledge, it has not so far been able to do more than stabilise the unemployment rate.



The National Bank of Belgium in Brussels: inside, worries remain about the size of the public sector deficit



Petrofina, the giant leader

BY FAR the most widely traded equity on the Bourse is Petrofina, the oil and petrochemical company. Traditionally the Bourse was seen as three distinct markets — Petrofina, the cash market and the forward market.

Petrofina dominated through sheer size. At the end of last year its market capitalisation at BFr 108.8bn was nearly double that of the next largest stock and the value of its shares traded was three times higher than any other.

It has never been quite clear whether Petrofina moved the Bourse or whether the Bourse moved Petrofina, but brokers note that Petrofina tends not to behave as a normal oil stock except when its interests are individually and directly affected like, for example subsidence at the Ekofisk oilfield.

Although Petrofina does little to promote itself internationally it has been the obvious way into the Brussels Bourse for foreign investors. In recent years, however, more and more Petrofina shares have been traded outside the Bourse by professionals and institutions.

Some of its role as an indicator of the market mood has been lost, the specialists say, to Societé Générale de Belgique, the biggest holding company in the country.

Changes likely in the party balance

Politics

PAUL CHEESERIGHT

BELGIUM IS unique among federalist countries, sighed a political analyst pondering the possibilities for next December's general election. It has no national parties.

So forming a government and keeping it in power is a patchwork of political art. Two linguistic communities spawn three major political families but six parties. Then the linguistic regions give birth to regional parties essentially bent on constitutional reform, mainly more autonomy. On top of that there are special groups—Green's, Communists and so on.

The present Government is a marriage of convenience between two families making four parties: the centrist Christian Democrats (Dutch) and Social Christians (French) and the two linguistic varieties of Liberals, generally a bit further to the right in their thinking.

Over the next few months each of these four parties will be running their own electoral campaigns, the success or otherwise of which will determine their strength in the post-election negotiations for the formation of a new government. Then the electoral promises will be tempered by compromise.

But each of the four campaigns will have an element in common. It will be: Keep the Socialists out.

There is a weak link though. The European election results in June 1984 and the polls since suggests the Flemish Liberals are in trouble. Their laissez-faire economic doctrines appear to be falling on stony ground.

So the armchair political strategists are running through post-election prospects. The starting point is that sweeping shifts of political opinion do not happen in Belgium, but that in a strictly proportional system there are likely to be changes in the party balance.

They work roughly like this:

- On the Dutch-speaking lists, some gain for the Socialists at the expense primarily of the Liberals, but possibly of the Christian Democrats too. Roughly level-pegging for the regional party, the Volksunie.
- On the French-speaking side, perhaps a gain for the Socialists at the expense of the regional parties, but also a strong poll for the Liberals, especially in the Brussels area, leaving the chance of a squeeze on the Social Christians.

The next step

The next step is to pitch the changes into negotiations for a new coalition.

If there are not enough members of the existing coalition parties returned—that is 107 plus—then support has to be found elsewhere to bolster the existing partners or there has to be a completely new configuration.

The Christian Democrats and the Flemish Liberals could probably live with the Volksunie, but the French Social Christians and Liberals could not on communal grounds.

The Christian Democrat family might try an alliance with the Socialist family—something the Liberals desparately want to avoid. But there are three drawbacks. First differences on economic policy allied to a certain allergy between the union groupings related to the main families. Second, the Socialist family is divided on thorny communal and constitutional issues. Third, the Flemish Socialists want to dismantle the cruise missile installations—the rest do not.

Then, even more remotely, Liberals and Socialists might talk. But their differences on economic policy are so great that working out a programme for a new government could be impossible.

At best then shifts in the party balance could lead to weeks of negotiation to try and find a new government. At worst, talks could drag on for months without result—damaging for the Belgian franc—leading to another election about a year from now.

How the Parties line up

Chamber of Deputies: 212 seats, Overall majority 107

Dutch speaking		French speaking		Total
COALITION PARTIES				
Christian Democrats	43	Social Christians	18	
Liberals	28	Liberals	24	113
OPPOSITION PARTIES				
Socialists	26	Socialists	35	
Regionalists	20	Regionalists	8	
Greens	2	Greens	2	
Others	2	Communists	2	
		Respect for Work	2	99
				212

PROFILE: WILFRIED MARTENS

Premier is strong on timing

Wilfried Martens: in seeking his sixth premiership he is going to be judged on the results of his fifth

THE EXTERIOR looks benign, even bland. The spectacles give a kindly look. But inside Wilfried Martens, there is a toughness and flexibility which comes from a political career in a rough school. He not only survived. He surfaced.

Few of his international contempories can claim to have been Prime Minister five times before reaching the age of 50. He has managed it at least partly because, in the endless negotiation which is Belgian politics, he has patience and generally he gets the timing right. He knows when to intervene with the consensus plan.

His immediate future is less tied up with his reputation as a Mr Fix-It and more with his record. In seeking his sixth premiership he is going to be judged on the results of his fifth—his only spell in government lengthy enough to show if he can deliver results.

He is content to stand on his record. "In the past, governments often handed out presents to the voters just before an election. But this will not happen this time," he promised. Government plans to get the economy straight are spread over several years and they will go on, he said.

That is really the theme of his election campaign, the coalition's election campaign. His own party will be seeking to portray him as the only leader with whom the country is safe.

"What we will be saying," Mr Martens said of the forthcoming campaign, "is that we had to redress the economy but we did this in a fair and logical way which spread the effort justly over all parts of the Belgian public.

"We have had some remarkable results but we cannot stop now and we certainly cannot go back. We have got to continue present policies for another two years because we can see the light at the end of the tunnel."

He will accompany all of that with a warning. "If we draw back, if we relax, then we will lose the international confidence we have patiently built up again," he said.

That could strike home with the thrifty Belgian middle class. For "international confidence," one can read "stability of the Belgian franc." And Belgians are internationally conscious with their savings. If things look bad inside, they will syphon money outside.

Mr Martens understands that. He is a politician from the middle class with a Catholic background and a party oriented towards Catholicism. He trained as a lawyer before the climb up through the ranks of the Christian Democrat Party.

PAUL CHEESERIGHT

Hoping for another shot in the arm

The Bourse

PAUL CHEESERIGHT

THE BRUSSELS Bourse has been playing a major role in the evolution of government economic policy. It was the vehicle for a substantial recapitalisation of major companies during 1982-83. It has drawn in fresh new private funds and acted as a stimulus for the provision of risk capital.

Much of this has taken place under the impetus of two key measures taken by the Government in the first half of its administration. The first provided substantial tax concessions to companies seeking new capital. The second provided tax breaks for individuals investing largely in Belgian stocks, often through six investment funds.

Both measures served fundamental economic aims. The corporate sector was strengthened and funds were diverted from consumption to investment.

Record levels

In the process, activity on the Bourse reached record levels. The volume of bourse trading reached BFrs 91bn last year, or 20 per cent more than in 1983 which had seen trading at a 50 per cent higher level than in 1982.

The bourse index climbed to record levels in autumn last year. After that it tapered off, but latterly the market has responded to the lower trend in interest rates and by the end of last month the index was again reaching record levels.

The key question now is whether the measures taken by the Government will be extended. That affecting companies seen in the first place only as a shot in the arm and it expired at the end of 1983. But that affecting the tax breaks for personal investment runs through until the end of this year.

A political consensus has been developing among the parties in the ruling coalition that some form of more permanent incentive to investment might be appropriate. Plans are being drawn up which could favour investment, again through fiscal measures, where the investment is linked to private pension schemes.

But no details of how such a scheme might work have yet emerged as policy and there are increasing doubts as to whether there will be enough parliamentary time to enact legislation before dissolution for a general election.

The combination of the election and uncertainty about new incentives has tended to act as a drag on bourse trading, although this has to some extent been offset both by the lower trend in interest rates and the high level of liquidity on the financial markets.

There has at any rate been substantial demand for new stocks, as companies like Wagons-Lits and financial institutions like Generale Bank and Banque Bruxelles Lambert have come to the market with rights issues.

The fear about the election is that there might be a strong enough swing away from the centre-right parties to induce a period of political instability that in its turn could put pressure on the Belgian franc. The stability of the franc has itself been a factor in keeping funds on the Brussels market and not sending them off in search of havens like Luxembourg and Switzerland.

This is not a matter which affects only the big players on the market. One of the lasting effects of the surge in investment since the start of 1982 has been to widen public interest in equities.

Before, it was estimated that between 10 and 15 per cent of the Belgian public had a stake in the Bourse. Now the figure is thought to be around 30 per cent. This widening interest has had the effect of focusing the political mind, so that measures relating to bourse investment are being tabled in Parliament at rates never seen before.

There has been an effect on the Bourse itself too. It is now seeking to make itself more accessible to companies. In fact, the number of Belgian companies quoted on the Bourse actually fell from 370 in 1970 to 201 in March 1984.

Over the 22 years to the end of 1984 eight companies introduced their shares on to the market. Last year there were three—Ackermans and Van Haaren, Cote d'Or and Sun International.

Secondary market

From the beginning of this year, however, the bourse authorities have been seeking to operate a secondary market, as is the practice on other exchanges. It is too early to judge the effects of this but analysts point out that if it is to be a success then the rules for introducing new shares will have to be interpreted flexibly.

Their concern is that the technical demands of registration, under tight Banking Commission rules, are not very different from the primary to the secondary market.

The second recent innovation of the Bourse has been to introduce from last April a traded options market centred on five stocks. Three are Belgian: Société Générale de Belgique, Groupe Bruxelles Lambert and Petrofina. Two are foreign: Inco and Stilfontein.

But the authorities are anxious not to turn the Bourse into a casino. They see options as a tool to permit easier management of an investment portfolio. Thus there are very strict rules about the covering of the options traded.

Moves are also afoot to increase the electronic links between Brussels and other European bourses. Increasing internationalisation is seen by financial specialists as an absolute priority if the trend towards the trading of stocks on private networks outside the Bourse is to be checked.

BELGIUM 4

Van Rymenant, the Belgian subsidiary of Mitchell Cotts, the UK international construction group, carried out the refurbishment of the Museum of Modern Art in Brussels. The formal opening (above) was attended by King Baudouin and Queen Fabiola

Recession scars sector

Construction and Property
PAUL CHEESERIGHT

THE EXPANSIVE celebration lunches used to be held at the Michelin-starred Villa Lorraine. The property men would gather—developers, agents, contractors—after signing the latest deal. You would get fed up with going twice a week, said one veteran of the 1970's Brussels property boom.

Those lunches are few and far between these days. The property market is steady but flat. The construction industry is deeply scarred by recession. Not many expect the boom days back.

This is not just a sectoral woryy. The economic effects are far-reaching. At the end of the 1970s, construction of residential property alone provided some 7.5 per cent of the gross national product and 30 per cent of manufacturing industry's value added. There were 250,000 employed in the industry.

The employment roll has sagged to 150,000. This in its turn provokes political argument which throws into relief the opposing policies of the Government and the Socialist opposition.

While the Government is content to rely on limited fiscal incentives to assist the sector, there is a French Socialist proposal in Parliament offering a more thorough-going official intervention through the use of special construction funds. This is part of a generally more interventionist attitude to the economy which goes under the name of selective recovery.

The presures, of course, are different for residential property and commercial property, although from the point of view of the construction industry the differences are eroded to the basic point that it is simply necessary to find some projects.

Housebuilding

The industry has never recovered from the crash of 1981 when there was a 41 per cent drop in investment. Two years later activity was running at only 46 per cent of the 1978 level, but there was an 8.8 per cent increase last year.

Housebuilding has stabilised at about 25,000 units a year, roughly half the level of 1980. And while there are a few major commercial property blocks being started, notably for the EEC in Brussels, that part of the industry is flat. But there is a developing interest in industrial property.

The crisis is so severe that the employers have reached an unprecedented agreement with the three major union groupings on a plan of measures to help the industry. This is being urged on the Government, but so far without result.

The immediate question is whether the Government is going to withdraw a tax concession on residential property made in 1982. This lowered the value added tax level from 17 per cent to 6 per cent until the end of this year. Industry is desperate for an extension.

One of the problems in the residential sector is the large amount of up-front money a house purchase has to provide. A survey by L'Association Belge des Entreprises Hypothecaires last year revealed that the actual cost of buying a property was over 16 per cent of the house purchase price, compared with the abnormally low 3.3 per cent in the UK.

A significant part of that is a 12.5 per cent registration fee, the ihghest in the EEC. So the industry wants that cut back to 6 per cent.

At the same time the industry wants revenue from property investment treated in broadly the same way for tax purposes as revenue from dividends and interest. In this case the Government now has a withholding tax of 25 per cent, but then the revenue is not included in an individual's overall tax assessment.

For property there is, it is argued, a double taxation—first of all a tax on the property revenue as such and then an overall tax assessment which takes into account only a portion of the tax paid on property. Better then, to change the system so that the tax payments stop with a withhodling tax on property revenue, as for dividends, or the whole property tax is reimbursed in the framework of the personal tax assessment.

The joint plan goes further, however. It seeks a more vigorous programme of public investment, covering for example, urban renovation and communications. It is at this point that the problems come into focus for the Government.

The Government itself is trying to re-order the state finances, so it is cutting back its own expenditure, which impinges on public works. But also it does not want to see too many tax revenues slip away.

This attitude of financial stringency stretches into the broader policy of switching resources from consumers to the corporate sector. Disposable incomes have dropped, making the finding of cash more difficult for private housebuyers. Against that, there has recently been a steady drop in interest rates which should make mortgage financing easier.

Most estimaes suggest that demand is not likely to rise quickly this year. By contrast, there is demand in the commercial property sector for space. The proble mis that this is not being translated to any great extent into new developments.

The commercial property market is centred on Brussels, traditionally a focus of governmental and multinational corporate activity. Agents like Jones Lang Wootton report that since the middle of last year there has been a shortage of medium and large buildings for rent.

Developers though have been hanging back from seeking to meet this demand because the level of rents is not generally high enough to make investing secure.

Bright spot

Developers are wanting a better return than the BFr 3,000-3,500 per square metre normally obtaining. In isolated cases deals have been *signed on a pre-let basis for* BFr 5,000, a more realistic rental as far as developers are concerned. But the deals are not regular enough so far to promote any surge of speculative building.

Where the developers do hold an advantage, though, is that if they do decide to build, then the contractors are so avid for work that their prices can be screwed down very tightly. And that process extends through into the accessory manufacturers.

The only bright spot in this picture is industrial building, where demand for modern warehousing is somewhere between stable and buoyant, and where again rents are not moving markedly.

Against this background, the industry as a whole considers that, as the crisis is exceptional, it needs exceptional measures. Certainly the industry is cyclical, but this time round the curves are deeper and larger.

Van Rymenant

Search for new outlets

Profile of van Rymenant, a construction company taken over by Mitchell Cotts, the UK builders, as part of a plan to expand in Europe

TRAVEL ON the Brussels metro and the chances are you go through a station van Rymenant built. Go to the airport and you ride up to the terminal on the road van Rymenant constructed.

Van Rymenant is in the second tier of the Belgian construction groups. At the top there are about five turning over some BFr 5bn a year. Underneath there are another 15 turning over between BFr1bn-2bn. That is where Van Rymenant fits in.

Operating revenue in its *financial year ending this* month should be around BFr 1.5bn, rising next year on the basis of existing orders to BFr 1.79bn. Profits are slender, but with the industry deep in the doldrums "only a few companies are making them," said Mr Bacher Fetelian, the company's technical director.

The crisis caught van Rymenant unprepared in 1980 and the books show a cash injection by the British parent, Mitchell Cotts, of BFr 24.5m in the 1981-82 financial year. Since then the company has had to look for fresh fields and to change its methods.

Mitchell Cotts took over Van Rymenant when the original family owners ran out of successors and looked for new partners. Now Van Rymenant is part of a plan still being developed for Mitchell Cotts to expand in Europe.

This suits the company because it is looking for fresh outlets. The staple of its business has been public works. Around 90 per cent of its turnover was coming from state and official sources. But the period of major Belgian public investment has passed. The aim in Belgium under present policy is to cut public spending.

This forced van Rymenant to develop the specialised activity of renovating and restoring old buildings—the Royal Library and the Congress Palace in Brussels, for example.

But as government public works spending fell—by some 25 per cent since 1982 on Mr Fetelian's calculation — and the general economy closed, van Rymenant was forced to seek work on a smaller scale than it had been used to.

It has a top government classification, meaning that it can tender for the major projects—those above BFr 170m. But these are rare. More often they tend to be in the BFr 30m-40m range.

"*We used to have a dozen* sites with a value of BFr 1.5-2bn. Now you need 20 or 30," said *Mr* Fetelian. This has caused van Rymenant to change its management technique. Instead of having one team per site, it now has several sites under the control of one team.

The whole business has become more uncertain, demanding quicker reactions. At the same time it has cut down the length of the order book from two years before 1960 to one year now. "It's difficult to plan for the long term," Mr Fetelian observed.

This is being done with a reduced management team. Once there were 100. Now there are 80. And the same process has taken place with the company's construction workers. The peak of the employment roll was 500. The number employed now is 300. despite recession, it is sitting on ample reserves, largely because it has restricted its material buying so that for some years its level of spending has been running under its provisions for amortisation.

P.C.

Reconciling Latin and Germanic cultures is a major factor in Belgian political and economic life says, **Paul Cheeseright**

Bickering over the public cake

THE LATIN and Germanic cultures of Europe meet in the middle of Belgium, noted a senior government official. Seeking an accommodation between the two was and will remain a salient factor of Belgium political and economic life.

A State cast in the French mould just over 150 years ago has been forced to adapt first to linguistic and cultural claims of the Dutch-speaking Flemish and second to the demographic and economic shifts which have made Flanders the dominant region of the country.

The combination of the two has led to permanent bickering over respective shares of the public cake, manifest today, for example, in disputes about the allotment of telecommunications contracts and offset arrangements for defence purchases.

Adaptation of the State has resulted in a federalist structure where regional borders are linguistic frontiers and where Brussels acts at once as a point of unity and a source of dissension.

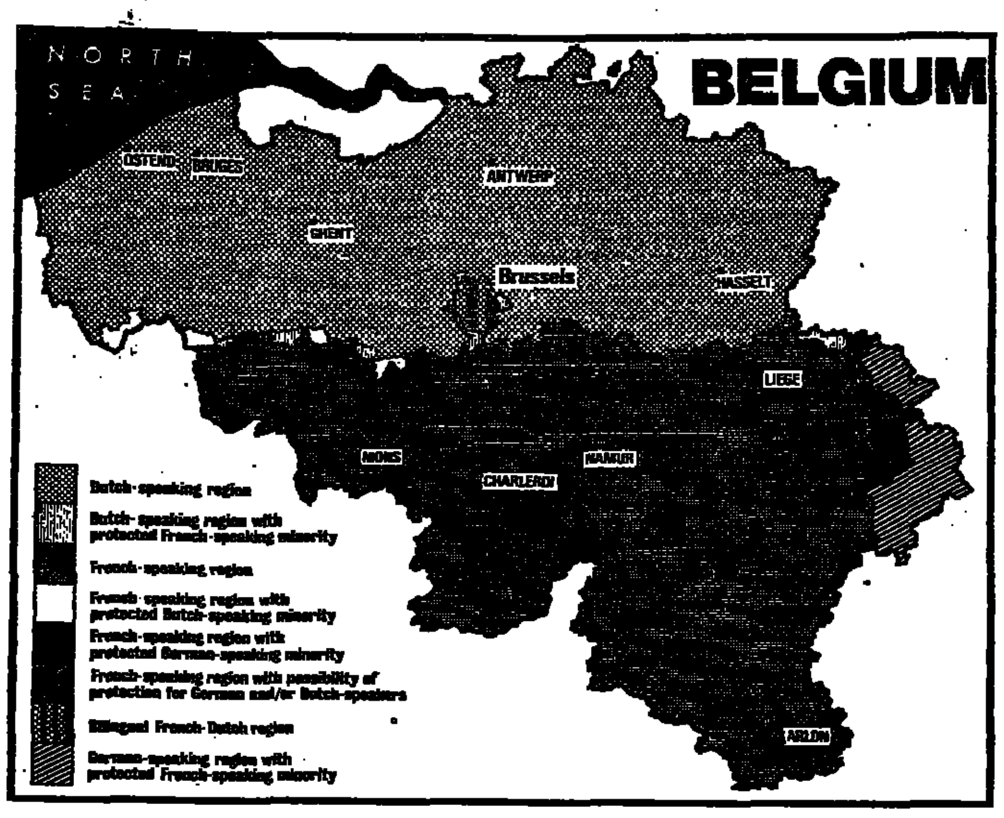
The outward centripetal force is the quiet dignity of the monarchy. The inner force is habit—Belgians just get on with things whatever politicians do—tied to the threads of unity provided by commerce and joint pride in Belgians who perform abroad, like cyclists.

The general drift of events is towards more devolution from the centre. Major constitutional reforms in 1980 provided for French and Flemish Communities and regional executives—one and the same in the Flemish case but split in the French case. And these bodies are a tier of administration between the central government and the local administrations embodied in provinces and communes.

Over the last five years, efforts have been made to bring into force the constitutional reforms, aided by a Council of State, which advises on the legality of legislation, and latterly an Arbitration Court designed to rule on clashes of competence between the different tiers of government.

Generally the communities are responsible for cultural matters like the use of language, but they have a role in scientific policy and in matters affecting individuals like health care. Their role in industry is increasing too.

Within the framework of a complicated formula for moving central government funds around, they are assuming responsibility for the so-called five national sectors of industry; these are sectors which are or have been in crisis—coal, steel, shipbuilding, textiles and glass.



Growth of the Gross Regional Product

(Constant prices, annual average)

	Flanders	Wallonia	Brussels
	%	%	%
1955-1968	4.3	2.2	4.2
1968-1979	4.8	3.5	2.2
1979-1983	1.3	0.4	1.2

Source: National Institute of Statistics, Kredietbank from 1979

Metal Manufacturing Sector

	%	%	%
Employment	63.8	26.9	9.3
Shipments	70.4	21.6	8.0
Investment	70.7	10.9	10.4

Source: Fabrimetal

Now, further reforms are in prospect, designed both to consolidate and strengthen the process started in 1980 by pushing more economic power outwards while leaving the central government obvious national powers like defence, foreign, and overall economic policy.

One of the last acts of the outgoing Parliament will be to consider a list of constitutional articles which can be considered by its successor. This needs a simple majority, but constitutional change as such would need a two thirds each linguistic grouping.

Specifying articles for possible reform need not give the existing Government any problems except in one area. That is education. There is a move to communalise education, but this is fiercely resisted by the Social Christians, who are threatening to resign from the coalition if there is a move to change the present system.

The Social Christians fear more money moving into Flanders and more control over education in Wallonia moving to the Socialists. And the stakes are high. The 1985 education budget nationally is BFrs 265bn.

The financial edge to this particular argument points up the main difficulty in any future movement of power to the regions. If they are to have more power they need more money, but they also have to be made more accountable for what they do with it.

That is the general problem. The specific one is how to devise the system of financing. Broadly, the Flemish think it should be done pro rata according to tax contributions. As there are more of them and they are in a stronger economic position this would give them a bigger slice of the cake.

Broadly again, the Walloons think the matter should be done on a population basis. That would give them a bigger slice than working the matter out on a tax basis.

On top of this there is the problem of Brussels, which although constitutionally designated as a region lacks the powers afforded Flanders and Wallonia. The status of Brussels was put on ice in 1980.

The ice is melting a bit though. But if the parties are to find a new status for Brussels as a capital and international centre, they will have to find a means of defining who lives in it and where it starts and stops. French and Flemish lines have blurred over the years. The problem of definition defeated politicians before 1980 and it has defeated them since.

Flexibility is the order of the day

Wallonia

HAZEL DUFFY

INDUSTRY IN WALLONIA — the southern, French-speaking region of Belgium — has suffered many of the effects wrought by recession on the basic industries of Europe. The question that now hangs over the region is whether the remedies that have been administered only since the sickness became rampant will actually succeed in stabilising the traditional industries of steelmaking and engineering, while creating the climate in which the never technologically-based activities can fill the gap left by the shrinking base.

The signs last year were fairly encouraging, with industrial production recovering quite strongly in the first six months of 1984. This largely reflected the impact of stronger demand for steel products — steel output accounts for 4 to 5 per cent of gross regional product.

In the second half of 1984, industrial production stabilised, and then fell in the first quarter of 1985, partly as a result of exceptionally cold weather but also strikes at the Cockerill-Sambre steel plants.

The future of Cockerill-Sambro, and thereby the future of the steel industry in Wallonia which it dominates, has been the chief concern of the region for the past three years. The government rescue provoked intense discussion about the way in which the regions should be financed to mount sucn operations. and much wrangling about the merits of putting national resources into a failing industry in one region (all of the Belgian steel industry, with the exception of Luxembourg-controlled Sidmar in Flanders, is in Wallonia).

In 1983, M Jean Candois, brought in by the Government to manage Cockerill-Sambre, drew up his survival plan. Although still making losses, the group was able to keep reasonably well within the plan last year. But there have been setbacks in the first part of this year, turnover being some BFr 5bn lower in the first four months than planned.

Speculation that the group would have to apply for another tranche of capital, however, has been scotched by M Gandois recently. In March, a new director general, 43-year-old Philippe Delaunois, was announced by M Gandois as the man who will take over the running of the group.


The signs within the steel industry, strong in the Walloon area, are now fairly encouraging

Parallel to the decline of steel in the region, Wallonia has witnessed the traumas in other big companies. Fabrique Nationale (FN), the armaments and aeronautics group, announced recently that it made a BFr 159m loss last year, scuttling hopes that it would resume the profit trend which has eluded it since 1980.

The plan

Another long-established Walloon company, ACEC, the big electrical engineering group, has similarly failed to make profits in the past two years. The group's majority shareholder, Westinghouse Electric of the U.S., recently sold its stake to the French Compagnie Generale d'Eléctricité and the Belgian holding company, Société Générale.

The plan is that the new shareholders will steer ACEC towards the healthier financial position it needs if it is to fund investment in its programme of diversifying into new technologies, namely telecommunications, robotics, and biotechnology.

The interest in these technologies being shown by traditional, big engineering companies—FN is similarly engaged—is an encouraging feature in an industrial landscape still dominated by traditional sectors.

A long history of industrial know-how has led to the development of specialist interests elsewhere in the region. Pollution treatment equipment, and fluidised bed boilers are just two examples which pre-date product innovation in the new technologies.

The industrial structure of Wallonia has typically featured some very large companies, and many small companies. In most parts of the region, the small company sector is growing, with the large companies actually setting up small, autonomous offshoots to pursue product innovation, for instance as well as companies being developed from ideas coming out of university research departments in the region.

There is no sign, as yet, however, that this type of activity is gaining the momentum that is needed to absorb the jobs being lost in the traditional sectors. Unemployment in the region is still on a rising trend, although the rise has slowed considerably in recent months.

Employment in the metal manufacturing sector fell by 3 per cent last year alone, as companies shed labour in striving for greater efficiency.

By contrast, in Flanders, unemployment has started to fall slightly.

While new investment continues in some of the traditional industries, and notably in steel, this is being done in order ot ensure survival, and not expansion. Just one of the interesting investment projects undertaken by Cockerill-Sambre, for instance, is the Howag process. Developed with the Metallurgical Research Centre, the process improves the finish on steel sold to the motor industry. It is a BFr 4bn investment which will improve the steel group's chances of survival.

The high rate of unemployment is of particular concern to the regional government, where the Socialists are part of the coalition. Some of the solutions proposed by the Socialists owe much to the traditional thinking, such as the setting up of a publicly-owned bank. But there are also considerable efforts by the regional government to stimulate new technologies with the limited resources available to it, even if a very high proportion of investment funds still go towards propping up the lame ducks.

Robot building

The Government has set up a body designed specifically to promote robot building, and there are signs that its programme to stimulate biotechnology through facilitating contracts between university research departments and companies is meeting with success.

With these efforts in mind, it is sobering to realise that political differences between members of the same party in the regional government led to a two-year delay in the distribution of official research payments to Walloom companies.

As in Flanders, Walloom industry has a strong element of foreign investment, much of it having a long association with the region. Considerable incentives are extended to foreign investors in most of Wallonia, and there is satisfaction that some American companies—notably Caterpillar and Burroughs—have announced expansion plans for their Walloon facilities recently.

Despite such encouraging features, the region, still faces the continuous shaping its structure to the needs of the present as well as the future.

There are fears that many more jobs could go in the steel and engineering industries before sufficient competitivity is restored. The adjustment from being the prime industrial region in the country to its present position has been difficult enough for Wallonia. But there is, and will continue to be, a need for the sort of flexible and innovative approach that does not come easily to a society schooled in more traditional skills.

BELGIUM 6

Life blood comes from commercial activities

Brussels

HAZEL DUFFY

BRUSSELS is a region, a capital, an international capital . . . and a problem. The problem is that an acceptable constitutional status for the city has yet to be found which will suit its different functions. To the visitor, the problem goes unnoticed. But to the residents, and particularly those who are involved in promoting Brussels, it is becoming increasingly aggravating.

Brussels, like Belgium as a whole, must look outside its boundaries if it is to prosper. This means that it must offer incentives to companies to come, and to ensure that they stay.

Along with the international institutions of the European Community, and the North Atlantic Treaty Organisation, as well as the administrative functions of a capital city, the lifeblood of Brussels is its commercial activities, both Belgian and international.

The responsibility for the coordination of the city lies with a minister of the national government for Brussels, who is a member of the Cabinet. Beneath this is a body known as the "agglomeration" which has acted as the municipal authority since its foundation in 1971, and the 19 communes that make up the city.

There is near unanimity among the many commentators within government and commerce that the system does not work, particularly when regionalisation has devolved power from central government to Flanders and Wallonia, but not to Brussels.

Th trouble is that the solution has yet to be found, including an answer to the fundamental problem of where the boundaries of Brussels should be.

Declining population

In many respects, Brussels shares the features which are common to many European and North American cities: a declining population—it went below 1m in 1981 and a continuing decline is projected to below 800,000 by the year 2,000; within this population, the age profile is going up, and the proportion of foreigners is also going up—from around 10 per cent in the early 1960s to 25 per cent today.

Some 40,000 foreigners have European or diplomatic status. Many of the remaining 200,000 or so fall into the "immigrant" category, concentrated in parts of the city which are increasingly resembling the "ghetto" problems mor commonly associated with larger cities. All of these factors have a bearing on the financial straits that some of the communties find themselves in, while the wealthier section of the population prefers to work in Brussels and live outside.

Industry has largely moved out of the city to adjacent areas where there are more financial incentives. Within the city, many manufacturing companies have closed. The result is that the economic base of Brussels is now almost entirely in the services sector.

Some effort is being made to reverse the trend, although, even if successful, it is unlikely to reverse the deindustrialisation of the past 20 years. Since last summer, Brussels has had a regional investment company—funded by government—which can take minority participation in cash-short companies putting forward innovative projects.

So far, it has invested in five such companies. There is also a project, which applies equally to the other regions, whereby the government will pay the salary of an expert who is vital to a company's development—for the first year, the whole salary is paid, and for the second year, 80 per cent. To date, 27 such people have been taken on in Brussels companies.

Mr Paul Hatry, minister for Brussels, has plans to create enterprise zones in run-down areas of the capital where some of the normal expenses would be disregarded for small companies taking up the offer, but these are plans only for the moment.

This approach to stimulate small companies contrasts with the emphasis that Brussels has put on large compaines over the years. One of the early moves in the city was to create scientific and industrial zones which offer considerable tax exemptions ot qualifying companies.

Research laboraties, software, consultancy services—these are the activities which come within the programme. One of the first companies to set up was Control Data, followed by Wang Digital, and others, and the Burroughs Corporation has decided recently to locate software production and training in one such zone.

The halcyon days for Brussels were the so-called Golden Sixties, after the European Community had made Brussels the headquarters for the Commision. Rapid development of office space followed, and many multinational companies made Brussels the location for their head offices in Europe.

The boom began to fall apart in the 1970s, and some companies left Brussels to set up offices in Paris, Geneva, London. By the start of the present decade, the glamour had worn off completely.

Belgium, and Brussels in particular, had gained a reputation for being a highly taxed country where employers had to pay a high level of social security.

The Government's response was to pass a law encouraging the setting up of co-ordination centres, where support functions such as finance and research could be centralised in Belgium. Qualifying companies would pay virtually no corporation tax.

Law modified

The law has since been modified after intervention by the European Commission on the grounds that it constituted a subsidy, although the resultant change is concerned more with the fact that such companies might have to pay corporation tax in the future rather than any substantive change to the system of tax today.

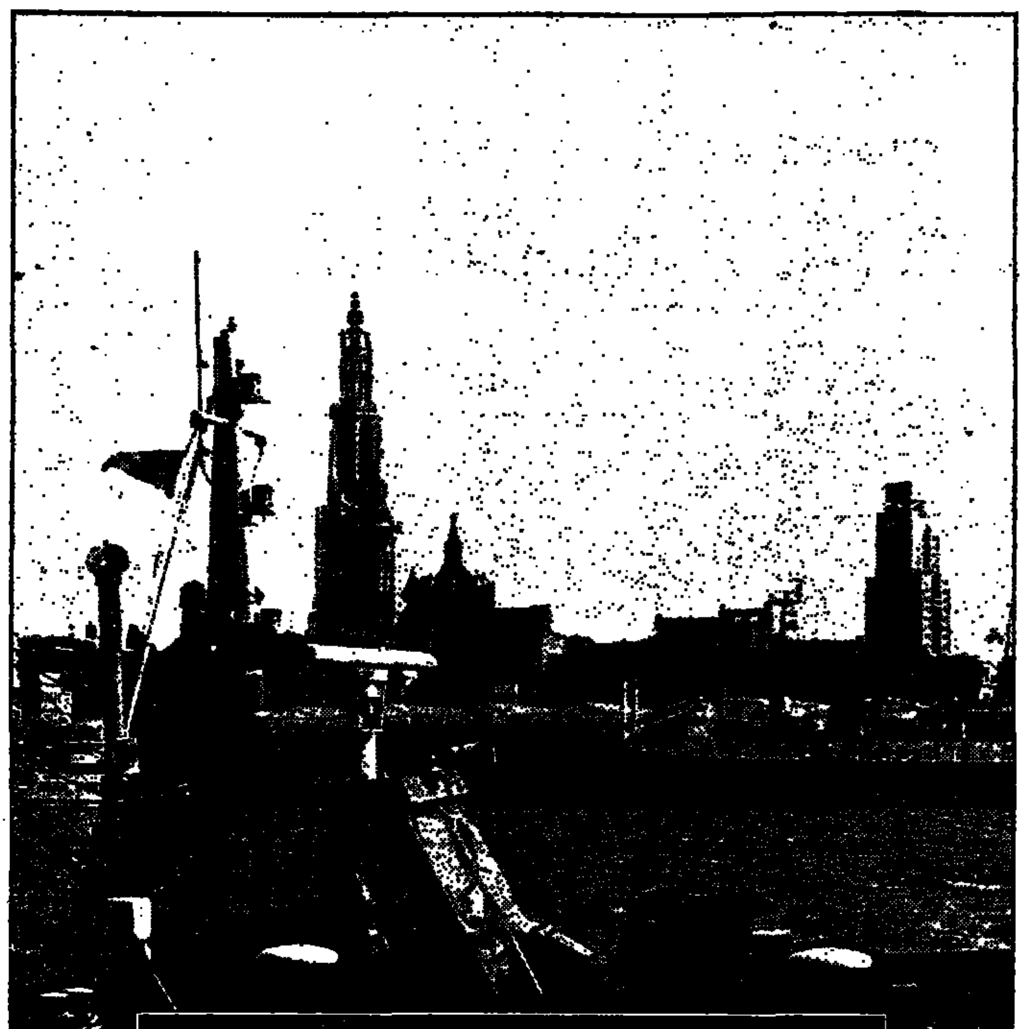
Co-ordination centres can be set up in any part of Belgium, but the majority so far—37 out of 55 which have qualified for the status—have been in Brussels. They include companies which were already in Brussels and have applied for the status, as well as companies which have decided to locate in Brussels, presumably encouraged by the new law.

Most of the applications under the law before it was modified came from foreign-owned companies—IBM, Tandy, Coca Cola and Dow Chemical to name a few.

Since the law has been modified, the applications have come mainly from Belgian companies. Uncertainty about the future tax status under the law as modified may be acting as a deterrent to foreign companies.

The city has also been making headway as a financial centre in recent years, after active encouragement of foreign banks to set up the expansion in the international markets of Belgian banks. There is also a growing presence in the insurance and re-insurance services sector. About half of the volume of transactions are conducted by foreign-owned companies. And the stock market, although small, has been particularly active in the last two years.

Slowly the city is reasserting its claim as one of the most convenient locations for international companies, and gaining a reputation in financial services. This gradual resumption of its former position makes even more pressing that there should be a solution to the problem of its constituitonal status which, in turn, might address itself to the threat of urban decay that has grown more serious recently.



Region welcomes foreign investment

Flanders

HAZEL DUFFY

THE FLANDERS region, stretching across the flat northerly plain of Belgium, dominates the Belgian economy. While the constitutional future of Brussels is pondered in political circles, and Wallonia adjusts painfully to the restructuring of its basic industries, the Flemish-speaking part of Belgium seeks to build on its post-war industrial success.

It is a region which is proud of its culture and language, and its people talk openly of it being the most dynamic part of the country.

Whether or not this is true—and the claims naturally provoke dissension amongst the non-Flemish speaking population—Flanders certainly seems to be better at promoting itself as a region to the world outside than Wallonia. This year, for instance, the region staged a big fair in Ghent called simply "Flanders Technology."

Opportunities

Its aim was to make Flemish people more aware of the opportunities offered by the new technologies by inviting Belgian and foreign companies to present their products, but it also served to identify Flanders to outsiders as a region which is intensely interested in the new technologies.

With this aim in mind, it is perhaps churlish to quote the findings of a survey carried out by PA Technology of 200 companies in Flanders which indicated that technology awareness and application has only really caught on among big Flemish companies. Small companies, which predominate in Flanders, were hardly using new technology, according to this survey.

The relative strength of the Flemish economy has its roots in the fact that the region was industrialised much later than its southerly neighbour, Wallonia. Apart from the coal mines in Limbourg, in the north east of the region, which are still being worked with large government subsidies. Flanders industry is much more concerned with consumer goods than basic industries.

It is a region which has welcomed foreign investment as an aid to its development, and this is particularly evident in the automotive assembly sector. The setting up of this sector in Flanders has been a big factor in the post-war growth which has ensured that the region has forged ahead of Wallonia.

Gross Regional Product in Flanders grew by 4.3 per cent between 1955 and 1968, by 4.8 per cent between 1968 and 1979, and by 1.3 per cent between 1979 and 1983 (the latter is an estimate from Kredietbank—the paucity of regional statistics post-1980 is increasingly hampering economists). The comparable growth rates in Wallonia during the same periods were 2.2, 3.5, and 0.4; and in Brussels, 4.2, 2.2, and 1.2.

The economic recovery in Flanders in 1983 and 1984, however, was slower than in Wallonia, where the rise in industrial production was particularly sharp last year. This can be largely explained by the different industrial structure in the two regions, with the consumer goods industries slower to pick up than the basic industries. Industrial production in Flanders in the first four months of 1985 was going up more sharply

The prime movers in the recovery have been the chemicals and textiles sectors, with the automotive sector more stable. The improvement in the Belgian chemicals sector was particularly noticeable in the case of Solvay's Belgian activities, which recorded a profit increase from BFr 3.4bn in 1983 to BFr 4.9bn in 1984.

Some 70 per cent of Belgian chemicals output is exported, and most of the industry is concentrated in Flanders. Much of the recovery in European chemicals and pharmaceuticals stems from the increased competitiveness of their position resulting from the appreciation of the dollar, along with improved demand levels. Benefits from rationalisation have also been evident at Solvay.

Textiles is the other sector showing marked recovery. One of the five national sectors for which the Government has taken a degree of responsibility, some BFr 24bn has been pumped into textiles over the past couple of years, and most of the industry is located in Flanders.

Belgium has concentrated on the quality end of the sector, specialising in carpets, blankets, towels, and producing them more competitively so that it is now increasing its share of world markets. The restructuring programme, which has resulted in about 40 per cent of jobs disappearing in the sector, is coming to an end, partly because of warnings from the European Commission that continued pursuance of the plan would not be in order. In any event, Belgium and Italy are now the only EEC countries with a positive trade balance in textiles.

Metals manufacturing, alongside chemicals, is the largest single component of Flanders' industrial exports. Almost all automotive assembly in Belgium is located in Flanders, the plants of General Motors, Ford, Volvo, Renault, Daf, all being present in and around Flemish cities. The industry has been the recipient of extensive investment in more automated production methods in recent years, and it is seen as a prime example of the continued confidence of foreign investors in the Flemish economy.

Foreign investment has been a critical factor in Belgium for many years. Some of the companies have been there long enough to be considered local; but the bid to secure new foreign investments, and expansion by companies already there, is just as important as it has ever been. Flanders is anxious to demonstrate that, despite setbacks to the attractions of Belgium during the latter part of the 1970s, its productivity record is good.

A recent study by Kredietbank concludes that productivity, measured by the gross value added in constant prices per employee — "is now a good 5 per cent higher than in Wallonia, whereas in 1955, productivity in Walloon industry was still nearly 20 per cent higher than the corresponding figure for Flanders."

There is much discussion in Belgian business circles about the relative qualities which go to make up the apparently greater dynamism in Flemish business. It is a difficult subject to survey objectively. However, a recent analysis of the response to the fiscal initiatives introduced by the Government to stimulate the provision of new capital by the stock market shows that Flemish companies took up proportionately a much higher share than companies in Wallonia.

The Flemish regional government is attempting to harness the resourcefulness of the region by increasing activity in new technologies, and inviting foreign participation in these areas. An elaborate system of assistance in the form of interest subsidies, grants, tax exemptions and accumulated depreciation is in train, and the Government will pay half the cost of certain industrial research projects which are carried out in co-operation with university research centres.

Specialists

Flanders has a large number of small and medium-sized companies with their own specialist activities. Attempts to bring some of this knowledge together in order to make a bolder show abroad has manifested itself in five technology groups, under the co-ordination of the Flemish employers' organisation.

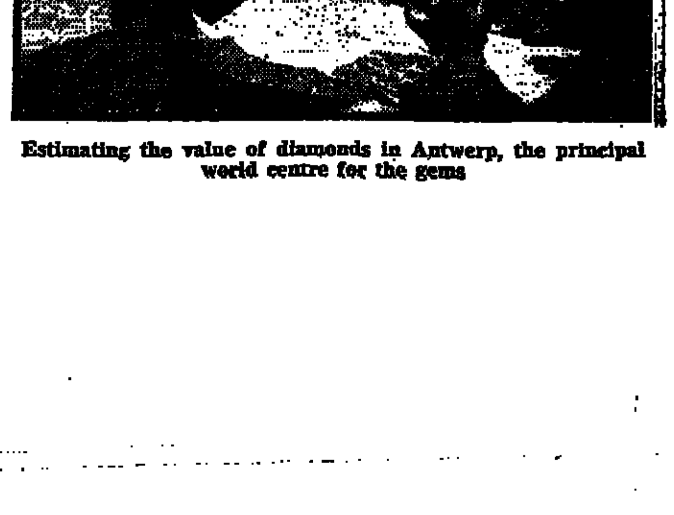
They cover the following sectors: aerospace, medical techniques, agricultural processing, robotics, and energy-saving techniques. The best known is an umbrella grouping of companies engaged in supplying the aerospace industry, which goes by the name of FLAG. Part of its purpose is to act as a pressure group to ensure that Flanders gets its share of the offset agreements which arise from the national purchase of defence equipment. It is also acting as a marketing tool.

Another example is a co-operative association of companies promoting heating by geothermal systems, which is already acting in one Flemish town.

All of these efforts have merit and demonstrate that there is a vitality to the Flanders economy. Unemployment in the region, however, is high — although not as high as in Wallonia. There are some encouraging signs in recent months that the level of unemployment has at least stabilised, but new jobs will need to be created to compensate for the jobs lost in the traditional industrial base of Flanders.

In Flanders, as in much of Europe, the results of the efforts to carry through the technological revolution which holds the hopes for the future have still to come.

The 406 ft tower of Our Lady's Cathedral in Antwerp with the statute of the painter Rubens in the foreground



Estimating the value of diamonds in Antwerp, the principal world centre for the gems

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Closing prices, June 7

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23½	16	AAR	.48	2.4	15	191	19¾	19½	19¾	−⅛
18½	9⅜	AGS			11	238	13¾	12⅞	13⅛	−⅝
16⅝	9⅝	AMCA				108	11¼	10⅝	10⅞	
21½	13¾	AMF	.50	2.6	55	7141	20	19¼	19¼	
48⅛	24¼	AMR			11	1630	47½	46⅝	46¾	−⅞
22	18⅝	AMR pf2.18		9.9		44	22	22	22	
14¼	7¾	APL				14	8⅞	8⅞	8⅞	
65¼	44⅜	ASA		24.1		536	49⅝	49¼	49¼	−½
27	14⅞	AVX	.32	2.2	12	68	15⅛	14½	14⅝	−½
26⅛	16	AZP	2.72	10	8	1122	26⅛	26	26	
57¼	36¾	AbtLab	1.40	2.5	16	1224	57⅛	56⅜	56½	−⅜
25⅞	17⅜	AccoWd	.44	2.0	17	148	22⅝	22½	22½	−⅛
19½	12½	AcmeC	.40	2.7		318	14¾	14⅛	14¾	+⅝
10½	7⅝	AcmeE	.32b	3.9	10	15	8¼	8⅛	8⅛	−⅛
17½	15	AdaEx	1.92e	11.		111	17½	17¼	17¼	−⅛
20	11⅞	AdmMl	.32	2.0	6	46	15¾	15⅛	15¾	+¾
19½	8⅝	AdvSys	.53t	4.9	17	59	10⅞	10¾	10¾	+⅛
41⅛	24⅛	AMD			11	4172	26⅜	25½	26¼	+¼
12¾	6⅞	Advest	.12	1.3		174	9⅜	9⅛	9¼	
14⅝	9	Aerflex			12	55	12⅞	12⅜	12½	−⅜
48⅞	27¼	AetnLf	2.64	5.7	34	2928	u47	46¼	46⅝	+⅜
57¾	52⅜	AetL	pf5.79e	11.		z848	54⅝	54½	54½	−⅛
37¾	17⅞	Ahmns	1.20	3.3	15	137	36½	35⅞	35⅞	−⅝
3⅝	2½	Aileen			22	48	2⅞	2⅞	2⅞	−⅛
53½	36⅜	AirPrd	1.20	2.2	12	769	u54	53⅛	53¾	+⅜
24⅝	13	AirbFrt	.60	2.6	13	28	22⅞	[illegible]	[illegible]	[illegible]

Continued on Page 26

Closing prices, June 7

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued on Page 27

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 25

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

OVER-THE-COUNTER

Nasdaq national market, closing prices, June 7

AMERICAN STOCK EXCHANGE CLOSING PRICES

CANADA

TORONTO

Closing prices June 7

MONTREAL

Closing prices June 6

AUSTRIA

1985 High	Low	June 7	Price Sch
340	225	Credit'stalt Pfd..	340
555	330	Goesser	526
1,570	400	Interunfall	1,570
335	228	Laenderbank	325
610	335	Perlmooser	610
220	155	Steyer-Daimler.	190
570	246	Veitscher Mag	570

DENMARK

1985 High	Low	June 7	Price Kr.
312	257	Andelsbanken	291
845	520	Baltic Skand	575
335	259	CopHandelsbank	275
575	460	D. Sukkerfab	500
322	260	Danske Bank	301
1,260	1,085	De Danske Luft..	1,140
245	129	East Asiatic	138
1,000	770	Forenede Brygg.	845
149	68	Forenede Damp.	149
443	352	GNT Hldg..	410
530	340	I.S.S.B..	436
655	464	Jyske Bank	635
1,895	1,315	Novo Ind.	1,685
292	223	Privatbanken..	268
373	280	Provinsbanken	342
258	217	Smidth F.	254
1,150	880	Sophus Berend..	1,070
497	395	Superfos	435

FRANCE

1985 High	Low	June 7	Price Frs.
1,775	1,590	Emprunt 4½% 1973	1,618
8,829.9	7,355	Emprunt 7% 1973	8,290
300	235.2	Accor..	290
680	546	Air Liquide	664
605	498	BIC	583
2,070	1,601	Bongrain	2,035
860	602	Bouygues..	853
2,620	2,250	BSN Gervais	2,620

GERMANY

ITALY

NETHERLANDS

NORWAY

BELGIUM/LUXEMBOURG

AUSTRALIA

HONG KONG

SWEDEN

SINGAPORE

SWITZERLAND

SOUTH AFRICA

JAPAN

1985 High	Low	June 7	Price Yen
1,570	1,040	Aliomoto.	1,100
2,097	1,460	Alps Electric.	1,630
1,134	870	Amada	925
1,100	621	Asahi Chem..	1,010
928	850	Asahi Glass	870
550	500	Bridgestone.	528
1,480	1,100	Canon	1,140
2,060	1,570	Casio Comp.	1,580
1,250	1,000	Chugai Pharm.	1,040
596	451	Citizen	451
753	605	Daiei.	740
1,190	925	Dai Nippon Ptg	1,190
689	532	Daiwa House	689
494	329	Ebara..	425
2,002	1,183	Eisai.	1,290
9,500	7,190	Fanuc..	[illegible]xc
1,680	1,290	Fuji Bank	1,600
1,950	1,560	Fuji Film.	1,790
1,330	938	Fujisawa	938
1,360	1,010	Fujitsu.	1,030
3,540	1,600	Green Cross.	2,300
478	352	Hasegawa.	478
973	877	Heiwa Real Est..	926
893	708	Hitachi.	715
1,210	1,050	Hitachi Credit.	1,190
1,550	1,210	Honda.	1,390
740	680	House Food..	740
2,460	1,780	Hoya	[illegible]
438	323	Itoh C.	421
2,790	2,270	Ito Yokado	2,600
1,480	785	Iwatsu	865
370	315	JACCS..	364
7,200	4,860	JAL	6,840
880	660	Jusco	869
340	269	Kajima	340
852	724	Kao Soap	841
735	586	Kashiyama	711
745	548	Kirin.	701
1,090	870	Kokuyo	1,000
479	435	Komatsu	468
748	601	Konishiroku.	676
350	318	Kubota..	330
662	510	Kumagai.	[illegible]
7,100	4,360	Kyocera	4,400
630	455	Maeda Const	619
1,460	950	Makino Milling	1,000
1,280	900	Makita	991
357	300	Marubeni.	349
650	540	Marudai.	638
1,280	952	Marui.	1,250
1,690	1,390	MEI..	1,420

SPAIN

NOTES:—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

WORLD STOCK MARKETS

OVER-THE-COUNTER

Continued from Page 27

Indices

NEW YORK

DOW JONES

	June 7	June 6	June 5	June 4	June 3	1985 High	1985 Low	Since Compil'n High	Since Compil'n Low
♦Industri'ls	1316.42	1327.28	1320.56	1315.80	1310.93	1327.28 (6/6)	1184.96 (4/1)	1327.28 (6/6/85)	41.22 (2/7/32)
H'me Bnds	80.21	80.07	80.20	79.64	79.41	80.20 (5/6)	72.27 (20/3)	—	—
Transport..	653.45	659.83	655.80	651.88	647.85	659.83 (6/6)	553.03 (4/1)	659.83 (6/6/85)	12.32 (8/7/32)
Utilities.. ..	163.88	163.98	165.32	163.78	163.26	164.75 (17/5)	146.54 (4/1)	164.75 (17/5/85)	10.5 (28/4/42)
TradingVol 000-†	39,63	117,180	143,878	115,420	125,000	—	—	—	—

♦Day's High 1331.99 (1330.53). low 1312.95 (1311.94)

	May 31	May 24	May 17	year ago (approx)
Industrial div. yield %	4.65	4.70	4.77	5.01

STANDARD AND POOR'S

	June 7	June 6	June 5	June 4	June 3	1985 High	1985 Low	Since Comp'n High	Since Comp'n Low
Indust'ls ...	209.39	211.13	210.03	210.05	208.30	211.13 (6/6)	128.24 (4/1)	211.13 (6/6/85)	3.62 (30/6/32)
Comp's'te	189.68	191.06	190.16	190.04	189.32	191.06 (6/6)	163.68 (4/1)	191.06 (6/6/85)	4.40 (1/6/32)

	May 22	May 15	May 8	year ago (approx)
Industrial div. yield	3.74	3.84	3.92	4.23
Industrial P/E ratio	11.64	11.37	11.14	11.76
Long Gov. Bond yield	10.75	10.98	11.33	13.40

N.Y.S.E. ALL COMMON

June 7	June 6	June 5	June 4	1985 High	1985 Low
109.97	110.69	110.24	110.86	110.69 (6/6)	94.60 (4/1)

Rises and Falls

	June 7	June 6	June 5
Issues Traded	2,003	2,002	2,029
Rises	592	866	974
Falls	967	691	618
Unchanged	444	445	437
New Highs	166	229	317
New Lows	16	19	20

TORONTO

	June 7	June 6	June 5	June 4	1985 High	1985 Low
Metals & Minerals	1951.0	1955.9	1959.4	1952.4	2190.07 (15/2)	1896.0 (4/1)
Composite	2758.1	2755.6	2766.1	2752.9	2766.1 (5/6)	2348.5 (8/1)
MONTREAL Portfolio	134.14	135.12	135.56	134.45	135.56 (5/6)	117.00 (4/1)

	June 7	June 6	June 5	June 4	1985 High	1985 Low
AUSTRALIA All ord. (1/1/80)	858.5	858.5	853.6	861.3	904.5 (28/5)	718.3 (7/1)
Metals & Mins. (1/1/80)	516.0	516.7	506.8	518.0	583.8 (20/5)	462.5 (7/1)
AUSTRIA Credit Aktien (2/1/62)	100.24	(c)	99.47	99.17	100.24 (7/6)	56.21 (4/1)
BELGIUM Brussels SE (1/1/80)	2383.54	2383.20	2384.12	2371.17	2384.12 (5/6)	2000.7 (10/1)
DENMARK Copenhagen SE (3/1/83)	181.66	181.79	(c)	181.42	194.04 (24/5)	166.44 (8/1)
FRANCE CAC General (31/12/82)	251.3	251.8	252.0	252.8	255.1 (31/5)	180.2 (3/1)
Ind Tendance (28/12/84)	130.5	130.0	130.5	130.0	130.6 (31/5)	100.7 (3/1)
GERMANY FAZ Aktien (31/12/58)	462.56	(c)	464.54	457.73	462.56 (7/6)	382.39 (3/1)
Commerzbank (1/12/53)	1565.4	(c)	1556.8	1544.2	1565.4 (7/6)	1111.6 (5/1)
HONG KONG Hang Seng Bank (31/7/64)	1542.55	1529.50	1527.82	1545.36	1647.56 (17/5)	1228.74 (2/1)
ITALY Banca Comm Ital. (1972)	311.67	311.96	306.63	302.77	320.91 (25/5)	228.56 (2/1)
JAPAN** Nikkei-Dow (16/5/49)	12716.5	12716.1	12695.2	12563.5	12790.3 (30/5)	11545.2 (5/1)
Tokyo SE New (4/1/68)	1005.7	1005.73	1000.67	991.17	1006.56 (22/5)	916.95 (4/1)
NETHERLANDS ANP-CBS General (1970)	214.5	213.6	213.7	212.5	214.5 (7/6)	185.6 (3/1)
ANP-CBS Indust (1970)	178.1	176.6	175.4	174.8	178.1 (7/6)	147.9 (3/1)
NORWAY Oslo SE (4/1/83)	342.52	341.55	342.51	343.87	345.97 (3/6)	296.19 (2/1)
SINGAPORE Straits Times (1966)	800.52	808.18	812.02	809.15	852.65 (7/3)	764.38 (10/1)
SOUTH AFRICA JSE Gold (28/9/78)	—	1007.6	1012.3	(u)	1140.6 (15/4)	858.1 (11/2)
JSE Indust (28/9/78)	—	966.9	965.5	(u)	973.6 (24/5)	787.1 (7/3)
SPAIN Madrid SE (28/12/84)	118.37	(c)	118.51	118.68	117.41 (4/2)	101.48 (2/1)
SWEDEN Jacobson & P (11/58)	1357.69	1342.54	1345.57	1347.98	1486.99 (11/2)	1342.54 (6/6)
SWITZERLAND SwissBank Cpn. (31/12/58)	438.4	436.9	436.5	435.8	438.4 (7/6)	386. (3/1)
WORLD Capital Intl. (1/1/70)	—	214.3	213.5	213.8	214.8 (7/6)	184.5 (4/1)

** Saturday June 1: Japan Nikkei-Dow 12689.5. TSE 995.97.

Base value of all indices are 100 except JSE Gold—255.7, JSE Industrial—264.3, and Australia. All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c-Closed. u Unavailable.

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Pac Gas El	2,298,600	20	—
Sperry	1,500,700	54⅞	+3⅞
ATT	1,323,700	23⅞	—
Merrill Lynch	1,241,000	32	+¼
IBM	1,185,900	127⅞	−2⅛
Litton	1,078,800	88⅞	+½
Gulf West	1,063,800	41⅛	+2½
Gen Motors	1,033,700	74½	−⅛
Santa Fe	974,200	30⅞	−⅛
TWA	965,900	19½	+½

APPOINTMENTS

Senior Asda stores posts

ASDA STORES has appointed Mr K. Clarke to the board as trading director, responsible for produce, meat and poultry, chilled products, in-store bakery and customer catering. He was previously trading director of Tesco. ASDA has formed a trading board which will be chaired by Mr G. G. Street, marketing director. The board will be responsible for the day-to-day trading activities, reporting to the main board. Other appointments to the trading board are: Mr M. Allison, divisional director, produce, meat and poultry; Mr A. J. Birch, divisional director, marketing; Mr L. F. Boyle, divisional director, packaged food and drink; Mr L. A. Campbell, divisional director, operations services productivity from operations director SavaCentre; Mr J. R. Harding, divisional director, planning and developments; Mr A. G. Jeffries, divisional director, chilled products, in-store bakery and in-store catering from purchasing director, Berni Inns; Mr D. Robinson, divisional director, retail operations, Midlands; Mr K. Shingler, divisional director, retail operations, North; and Mr W. A. Walker, divisional director, retail operations, South.

★

Mr Brian Brophy has been appointed financial controller of DELSEY LUGGAGE. He was with Vulcanised Fibre (TR).

★

Hull-based insurance brokers J. RIXON MATTHEWS AND APPLEYARD has appointed Mr Colin S. Beaumont to the board from fire insurance manager. Mr John D. Mutch also becomes a director from accident, insurance manager.

★

Mr John Martin has become chairman of THE ASSOCIATION OF CONSULTING ACTUARIES. The appointment is for two years. He succeeds Mr John Prevett.

★

Dr John Redfern, managing director of STANTON REDCROFT, part of the Thermal Scientific Group, has been appointed chairman of Stanton Redcroft and of the group's instrument activities. Mr Trevor Rolls, previously sales and marketing director of Eurotherm, has been appointed managing director of Stanton Redcroft.

★

Mr Anthony L. Harris, managing director of Harris and Co has been elected president of the INSTITUTE OF PUBLIC LOSS ASSESSORS.

★

Mr I. L. Garton previously chairman and chief executive of Finance For Exports, has been appointed senior vice-president and general manager export contract bonding of ELDER'S PICA (UK) following the acquisition of Finance For Exports by Elder's Finance, a member of the Elder's IXL Group.

★

The SENIOR ENGINEERING GROUP has appointed Mr A. J. Bell as managing director of the steel tube division.

★

Following Leigh Interests successful bid for the MJI CORPORATION, Mr W. M. Pybus, Leigh's chairman, has been appointed chairman of MJI, Mr P. J. Curtis deputy chairman, and Mr M. Wood, Mr D. W. Anderton, Dr A. Kent and Mr C. E. Wilkinson have been appointed directors. Mr F. N. Griffiths remains managing director (operations) and Mr M. J. Calhoun as finance director. Mr Martyn Meade has resigned as chairman and a director.

★

Mr Michael Green, chairman and chief executive of Carlton Communications has been appointed a non-executive director of HAMBROS ADVANCED TECHNOLOGY TRUST, of which Hambros Bank is a major equity shareholder.

★

Mr R. Gordon Drennan has been appointed as JOHNSON MATTHEY group internal auditor. Mr Drennan, who joins from Touche Ross, will be responsible to the audit committee of the board for the internal audit function worldwide.

★

KMG THOMSON McLINTOCK has appointed Mr David M. Westcott as director of personnel. He was with Rio Tinto-Zinc and the Ford Motor Company.

★

Mr Anthony de Guingand and Mr Graham Wright have been appointed executive directors of the INTERNATIONAL COMMODITIES CLEARING HOUSE.

★

UNION BANK OF SWITZERLAND (SECURITIES), London, states that Mr Bernard Woodford, formerly with Chemical Bank, will shortly be joining to trade French and supranational fixed income securities.

★

Lord Justice Kerr has been re-elected president of the CHARTERED INSTITUTE OF ARBITRATORS. Chairman for the ensuing year is Mr Frank Rehder and senior vice-president and deputy chairman is Mr Douglas Stephenson.

★

SCIENTIFIC METHODS has appointed Mr Peter Martin as marketing director.

★

DONALD MACPHERSON GROUP has appointed Mr R. H. (Ron) Porter as a director. He started his career with Porter Paints in 1941 which became part of DMG by acquisition in 1969.

★

Mr Andy Smith has been appointed sales director of ADEMCO.

★

Mr Anthony Warner has moved to MARTELA as UK sales director, leaving Westinghouse where he has been international sales director since 1979.

★

Mr David J. Morris is to be commercial director, BICC COMPONENTS. He joins from the Clayton Dewandre Group where he was marketing director.

★

WOODHEAD - FAULKNER, Cambridge - based book publishers, has appointed Mr Stephen York as a director. He has been with the company since 1977.

★

The NATIONAL FREIGHT CONSORTIUM'S newly-formed distribution group has appointed Mr Richard A. Durran as managing director of SPD, the new company responsible for the shared facility operations previously operated by BRS and SPD. Mr Mark D. Bedeman becomes managing director of SPD Contract Distribution, the activity devoted to distributing goods for specific individual customers. Both are from October and are internal promotions.

★

CARTER MATANLE has appointed Mr Michael L. Diggory as managing director. He was deputy managing director. The company is part of the Interact Group.

★

NATIONAL PROVIDENT INSTITUTION has appointed Mr Denis Parker, assistant general manager (assets), as a director from July 1.

★

Mr Howard Aiken, formerly business manager of CAP Financial Services, has been named general manager of EFT with responsibility for the company's recently announced Matrix shared network of automated teller machines. He takes up his appointment on July 1.

★

Mr Dale Fishburn has been appointed director of planning and research on the board of VALIN POLLEN.

F.T. CROSSWORD PUZZLE No. 5,739

ACROSS

1 MP toasts page for sticking to the letter (7, 5)
10 A smash at one stage (3, 4)
11 An instrument has nothing on the hunting weapon (7)
12 Expose to ridicule, like Astor perhaps (5)
13 Something hot for drawing (8)
15 Set clown at finding a place in Ireland (10)
16 Bird, as before, would be behind (4)
18 Comfort, as one would expect in the guinea seats (4)
20 Piggott involved in Disney? Place for business, obviously (4, 6)
22 Receptacle for smashed tar, according to shanty (4, 4)
24 Peroration without dictator, relatively speaking (5)
26 He's French in the new scene — and quiet (7)
27 Easterner with a following in the U.S. (7)
28 Being a medium term (12)

DOWN

2 Sends away the opposite of marriage relations? (7)
3 Unquiet prelate, by the look of it, is a prattler (8)
4 Artist back in Mayo guest-house (4)
5 Notices area for students (6, 4)
6 A range of sound sense (5)
7 Make available for a difficult dive (7)
8 Dull person missing from 10 across, perhaps (13)
9 Chap with a cap (13)
14 Gas matters in providing artifices (10)
17 Kept an eye on diverse trade and sat about (6, 2)
19 Just one letter on your back? (7)
21 Depart around ten, before the downpour (7)
23 Maybe buy an Australian tree (5)
25 Mother leaves the smallest car (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Current
Shop Equipment and Display Exhibition — SHOPEX INTERNATIONAL (01-868 4499) (until June 13) — Olympia

June 10-14
International Mining Exhibition —MINING (0923 778311) — NEC, Birmingham

June 11-15
Mexican Exhibition and Conference (01-839 6586) MEXPO 85 — Novotel, W6

June 12-14
The Solicitors' and Legal Office Exhibition and Conference (01-995 8003) — Barbican Centre, EC2

June 16-19
Royal Highland Show (031-333 2444) — Ingliston Showgrnd, Edinburgh

June 24-27
Computers in Manufacturing (01-891 3426) — Olympia

July 1-3
Insurance Information Exchange —exhibition and seminar (01-831 6909) — City Conference Centre, EC3

July 2-4
P.C. Users Show (01-837 3699) — Olympia

July 9-11
National Education, Training and Development Exhibition and Conference (01-637 2400) — NEC, Birmingham

July 11-20
World Wine Fair (01-222 9341) — Exhibition Centre, Bristol

July 14-18
Gift Trade Fair (0282 867153) — Exhibition Centre, Harrogate

July 16-18
Drives, Motors, Controls Exhibition (0799 26699) — Olympia

July 17-21
In-car Entertainment Show for Trade and Public (01-222 9341) — Novotel, W6

August 18-21
International Craft and Hobby Fair (04252 72711) — Wembley Conference Centre

OVERSEAS TRADE FAIRS

June 10-15
International Energy Conservation Exhibition and Conference (01-968 4567) — Shanghai

June 13-16
International Computer Show for Office, Home, Hobby (01-930 7251) — Cologne

June 18-22
International Exhibition of Machinery and Materials for Packaging—ASIAPACK (01-683 1158) — Singapore

June 22-28
International Chemical Fair (01-378 7778) — Bratislava

June 26-28
Info/Hong Kong Exhibition (01 891 5051) — Hong Kong

June 29-July 1
European Fishing Tackle Trade Exhibition (01-681 1242) — Copenhagen

July 15-20
Total Energy Exhibition (01-968 4567) — Guangzhou

July 17-25
International Cultivation, Harvesting and Packaging in Viticulture, Horticulture and Veg Growing Exhibition (0869 252131) — Kishinev

September 1-7
International Autumn Fair (01-493 3111) — Leipzig

BUSINESS CONFERENCES

June 10-11
FT Conference: The Sixth Paper and Pulp Conference (01-621 1355) — Hotel Inter Continental, W1

June 11-12
EDANA: Italian nonwovens symposium (Brussels 02-734. 93.10) — Milan

June 11-12
FT Conference: World Gold in 1985 (01-621 1355) — Lugano

June 12
Oyez: Supply, use and carriage of goods—the implications of the new dangerous substances regulations (01-236 4080) — London

June 14
Management Forum: The future of the pharmaceutical market in Great Britain (0483 570099) — Cafe Royal, W1

June 17-18
Economist Conference Unit: Multinational corporations (01-839 7000) — Park Lane Hotel, W1

June 18
B. J. O'Connor International: Japanese materials management (0932 51334) — Holiday Inn, Heathrow

June 18-19
FT Conference: World Electronics—Global Market Approach (01-621 1355) — Hotel Inter Continental, W1

June 19-20
Offshore Conferences and Exhibition: Offshore tubular joints 1985 (01-549 5831) — Heathrow Penta Hotel

June 19
Business Research International: Interest rate options (01-637 4383) — Park Lane Hotel, W1

June 24-25
CommEd: Telecommunications—the European Future (01-733 3456) — Dorchester Hotel, W1

June 26
Financial and Business Exhibitions: Strategies for innovation (01-493 8000) — Tara Hotel, W8

June 28
The Institute for Fiscal Studies: Corporation tax (01-636 3784) — St. Ermins Hotel, SW1

July 2
Royal Institute of International Affairs: European Initiatives in Information Technology (01-930 2233) — Chatham House

July 3
London Chamber of Commerce and Industry: "Venezuela—an oil economy. Prospects for British suppliers" (01-248 4444) — 69 Cannon Street, EC4

July 3-4
International Advertising Association (UK Chapter): Pan European Conference (01-546 4809) — Grosvenor House, W1

July 8-10
Frost and Sullivan: Development of structured software (01-486 0334) — Cumberland Hotel, London

July 9
The Industrial Society: Employing casual, part-time and temporary workers—implications of recent case law (01-839 4300) — London

July 9-10
FT Conference: Oil industry developments (01-621 1355) — London

July 12
FT Conference: The City Revolution (01-621 1355) — Hotel Inter-Continental, W1

July 20
Commonwealth Institute: The Commonwealth and the Law of the Sea (01-603 4535) — London

July 28-31
Kluwer Conferences: Marketing insurance (01-568 6441) — Cookham, Berks

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
80, Holdenhurst Rd., Bournemouth BH8 8AL. 0345 717373 (Linkline)

High Income				
Gilts & Fixed Int.	109.8	116.2xd	+0.5	10.93
High Inc Equity	73.4	78.1	-0.5	6.34
Worldwide Bond	146.1	155.4xd	-0.9	6.24
Capital Growth				
American Growth	136.4	145.1	+0.4	1.50
Asian Pacific	47.7	50.8	-2.0	—
Assets & Ergs. Tt.	76.9	82.2xd	-0.6	2.65
Capital Reserve	57.4	57.6	+0.1	—
Commodity & Engy	69.1	74.3	-0.1	3.49
General	106.8	114.2	-1.4	2.85
Japan	154.8	166.5	-0.5	—
UK Growth Acc Units	106.8	114.8	-0.1	—
UK Growth Dist	75.1	80.8	-0.1	1.91
U.S. Emerging Co's	56.2	60.1	+0.2	0.43
Equitas Prog.	159.5	170.6xd	-1.7	3.03

Aitken Hume
30, City Road, EC1Y 2AY. 01-628 6626

American Tech Fd	104.5	111.4	....	0.10
Pacific Fd	123.0	131.6	-0.4	0.20
Secured Income Fd	145.0	155.2	-1.0	5.50
Special S/ts	169.0	180.8	-2.1	1.56
Energy Fd	35.9	38.4	-0.6	0.60
American Majors	59.0	63.1	..	1.56
Small Co's Fd	31.1	33.2	+0.1	1.97
Jap. Technology	56.2	60.1	....	0.10
International Income	50.6	54.1	-0.2	7.00
Exempt	472.7	504.7	....	—

Allied Unit Trusts Limited (a)(g)
Allied Hambro House, Hutton, Brentwood, Essex Brentwood. (0277) 211459 & 229123

Balanced Trusts				
First Trust	172.4	183.6	(z)	3.88
Growth & Inc Trust	107.4	114.4	(z)	3.86
Capital Trust	196.3	209.0	(z)	2.78
Balanced Trust	288.1	306.8xd	(z)	3.78
Accum Trust	437.4	465.8	(z)	3.09
Income Trusts				
American Income Tst	30.1	32.1	(z)	4.64
High Income Trust	188.9	201.2	(z)	5.58
Equity Income Trust	104.7	111.5	(z)	5.59
High Yield Trust	116.4	124.0xd	(z)	6.86
Govt Secs Trust	28.1	29.3	(z)	9.89

Brown Shipley & Co. Ltd. (a)(g)
9-17 Perrymount Rd, Haywards Hth 0444 458144

B.S. Fund	47.1	50.7	-0.5	4.31
B.S. Accum	75.8	81.6	-0.7	4.31
Financial	95.5	102.7	-0.6	3.00
Growth Accum	158.0	170.2	-1.9	—
Growth Income	102.2	110.2	-1.1	1.78
High Income	50.0	53.8	-0.5	6.60
Income	56.6	60.9	-0.6	5.50
North American	53.3	57.3	-0.3	1.21
Orient	47.0	50.6xd	..	0.21
Recovery	27.4	29.5xd	-0.3	3.60
Technology	126.5	136.2xd	-0.5	0.61
Exempt	163.8	176.3xd	-2.3	2.64

Buckmaster Management Co. Ltd. (a) (c)
The Stock Exchange, EC2P 2JT. 01-588 2868

General Inc June 6	167.1	175.3xd	....	3.89
Accum Units May 30	259.7	272.5	....	3.89
Income June 5	75.4	79.3	....	5.70
Accum Units June 5	126.4	133.0	....	5.70
Intl June 4	104.8	109.1	....	3.60
(Accum Units) June 4	136.2	141.7	....	3.60
ASmaller Co's June 7	900.9	940.8	+12.7	1.16
(Accum Units) June 7	941.9	1004.7	+13.2	1.16

CS Fund Managers Limited
125 High Holborn, London WC1V 6PY. 01-242 1148

CS Japan Fund	44.4	47.3	+0.1	0.45
CS Portfolio Inv. Fd.	47.0	50.0	-	4.00

Canada Life Unit Trust Mngrs. Ltd.
2-6 High St, Potters Bar, Herts. P Bar 51122

Can. Gen. Dist.	90.9	95.7	-1.1	3.30
Do. Gen. Accum	138.6	145.9	-1.7	3.35
Do. Income Dist	62.5	65.8xd	-0.5	6.01
Do. Inc. Accum	122.2	128.6	..	6.01
Gilt & Fxd. Int. Trust	36.1	37.8	+0.1	—

Cannon Fund Managers Ltd. (z)
1, Olympic Way, Wembley, HA9 0NB. 01-902 8876

Growth	226.4	240.8	-0.6	3.55
Income	257.4	273.8	....	5.04
Far East	116.4	123.8	-0.8	0.79
North American	124.7	132.7	-1.1	1.45

Capel (James) Mngt. Ltd.
100, Old Broad St, EC2N 1BQ. 01-588 6010

Capital	219.1	233.5	....	2.39
Income	205.8	216.7	..	6.12
North American	252.0	264.3	..	1.85

Prices on June 5. Next dealing June 12.

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CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Pearl Trust Managers Ltd. (a)(g)
252, High Holborn WC1V 7EB 01-405 8441

Pearl Growth Fd	64.1	68.2	-0.8	3.34
Accum Units	94.8	100.9	-1.1	3.34
Pearl Inc	88.4	94.0	-1.0	4.92
Pearl Unit Tst	92.7	98.7xd	-0.9	4.06
(Accum Units)	156.8	166.9	-1.3	4.06

Perpetual Unit Trust Mngmt. (a)
48, Hart Street, Henley on Thames. 0491 576868

Growth	183.5	196.9	-1.8	1.47
Income	137.8	147.6	-1.9	5.49
Worldwide Recovery	105.4	113.1	-0.8	2.08
American Growth	58.6	62.9	-0.3	0.67
Intl Emerging Cos.	59.9	64.3	-0.3	0.79
Far East Growth Fd	47.3	50.8	-0.3	1.00

Prolific Unit Trusts
222, Bishopsgate, EC2. 01-247 7544/7

Prolific Far East	104.9	112.4	-1.4	0.45
Prolific Extra Inc	63.1	67.1	-0.6	5.79
Prolific Gilt Cap.	79.6	82.8xd	+0.3	3.32
Prolific High Inc	131.5	139.9xd	-1.2	5.15
Prolific Intl	85.8	91.9	-0.6	1.58
Prolific N. Amer.	119.2	127.7	+0.1	1.48
Prolific Spec. Sits	146.9	156.3xd	-2.0	1.41
Prolific Technology	110.6	118.5xd	-1.0	0.98

Providence Capital Fd. Mgrs. Ltd.
30 Uxbridge Road, London, W12 8PG 01-749 9111

Japan Trust	49.3	52.2	-0.5	0.19
Worldwide	48.6	51.5	-0.4	1.58
European Trust	47.7	50.5	-0.2	0.92
North American	53.4	56.6	+0.1	1.08
UK Equity	48.8	51.7	-0.6	3.08

Prudential Unit Trust Mngrs Ltd. (a) (b) (c)
51-69, Ilford Hill, Ilford, Essex, IG1 2DL 01-478 3377

Holborn Equity Tst	323.5	344.1	-5.5	3.63
Holborn Gilt Tst	148.5	155.3	+0.1	9.15
Holborn High Inc	53.2	56.5xd	-0.9	7.97
Holborn Intl.	56.3	59.8	-0.6	0.60
Holborn UK Growth	63.4	67.4	-0.9	2.50

Quilter Management Co. Ltd.
31-45 Gresham Street, EC2. 01-600 4177

Quadrant Gen. Fd.	321.6	342.2		3.48
Quadrant Income	182.0	191.6		6.24
Quadrant Intl. Fund	300.7	316.6xd		1.54
Quadrant Recovery	199.9	210.5		2.74

Reed Stenhouse Inv Services Ltd
145 Borough High St, Ldn SE1 1NV 01-628 6011

Wellington Inc	48.8	51.9		6.00
Wellington Growth	100.5	106.9		2.00

Reliance Unit Mgrs. Ltd.
Reliance Hse, Tunbridge Wells, Kent. 0892 22271

British Life	134.5	142.2	-0.8	4.29
Reliance Unit Tst (Inc)	87.4	93.4	-0.7	3.93
Reliance Ut Tst (Acc)	112.7	120.4	-1.1	3.93

Ridgefield Management Ltd.
35 Fountain St, Manchester M2 2AF. 061-236 5685

Income UT	92.6	99.0xd	-1.1	6.84
International UT	219.3	234.5	+0.3	1.00

N.M. Rothschild Asset Management
St Swithin's Lane, London EC4. 01-280 5456

NC America (Inc)	235.6	248.0	-0.6	1.35
NC America (Acc)	250.3	263.4	-0.7	1.35
NC Engy Res. Tst	168.1	176.9	-1.6	2.32
NC Inc Fd	337.9	355.6xd	-2.3	5.01
NC Japan Fund	109.3	115.0	+0.4	0.02
NC Smaller Cos	109.2	114.7	-0.8	2.05
NC Smaller European	102.8	108.2	-0.3	0.81
NC Exempt Gilt Tst*	116.0	121.0		11.18
NC American Prop*	$11.21	11.80xd		-
NC Prop *	185.0	194.8		-

*Unauthorised Unit Trusts

Rowan Unit Trust Mngt. (a)
1 Finsbury Av, London, EC2M 2PA. 01-606 1066

American June 6	197.0	201.0		1.52
Securities June 5	572.0	587.0		2.30
High Yield June 7	132.0	135.5xd	+2.0	5.80
Merlin June 5	267.0	275.0		1.96
Fixed Interest	145.0	146.0		2.95
High Interest	119.0	120.0		12.39
Far East June 5	119.5	123.0		1.13

Royal Life Fd. Mgmt. Ltd.
New Hall Place, Liverpool L69 3HS. 051-227 4422

Equity Trust	48.3	51.3xd	-0.6	3.07
International Trust	56.5	60.1	-0.3	1.70
United States Trust	28.2	30.0		2.05
Pacific Basin	24.4	25.9	-0.2	0.84
Gilt Trust	24.6	25.8xd	+0.1	8.22

Royal London Unit Tst Mgrs Ltd
Ryl. Ldn Hse., Colchester, CO1 1RA 0206 576115

American Growth	67.0	71.3	+0.1	1.26
Capital Accum	142.5	151.6xd	-2.4	3.32
Gilt Income	50.3	53.0	+0.2	9.66
High Income	55.9	59.5	-0.5	7.04
Income & Growth	67.7	72.0	-0.7	5.18

TSB Unit Trusts (b) (c) (y)
PO Box 3, Keens Hse, Andover, Hants SP10 1PG
0264 62188 Dealings to 0264 63432-3

TSB American	99.4	105.8		1.17
Do Accum	102.4	109.0	+0.1	1.17
TSB Extra Income	86.6	92.2	-0.6	6.08
Do Accum	96.5	102.7	-0.6	6.06
TSB General	120.0	127.8	-1.8	3.29
Do Accum	191.7	201.9	-3.0	3.29
TSB Gilt & Fxd Int	46.7	48.7	+0.2	9.48
Do Accum	56.4	58.8	+0.2	9.48
TSB Income	160.9	171.2xd	-2.0	4.94
Do Accum	242.6	258.1	-2.9	4.94
TSB Pacific	105.8	112.6xd	-2.5	1.04
Do Accum	108.5	115.5	-1.5	1.04
TSB International	231.7	246.5xd	-1.7	1.87
Do Accum	282.0	300.0	-2.0	1.87
Natural Resources	46.7	49.7	-0.3	2.59
Do. Accum	47.1	50.2	-0.3	2.59
TSB Skrd Opps.	47.9	51.0	-0.4	2.41
Do. Accum	51.5	54.8	-0.4	2.41

3i & Target Fund Mgrs Ltd
Target House, Gatehouse Road, Aylesbury, Bucks Aylesbury (0296) 5941

Small Co's Fund	69.6	74.4xd	-0.5	0.10

Target Trust Mngrs. Ltd. (a)(g)
Target Hse, Gatehse. Rd, Aylesbury Bks (0296) 5941

American Eagle	69.6	74.4xd	-0.3	0.19
Australia	27.2	29.0	+0.3	0.10
Commodity	96.6	103.9	-0.7	1.61
Energy	44.6	47.7	-0.7	0.69
Equity	101.3	108.1	-1.7	3.72
European Spec. Sits.	50.5	54.0		0.93
Extra Income	93.5	100.0	-0.4	7.06
Financial	203.5	217.1xd	-0.9	2.94
Gilt Capital	213.5	223.6	+0.6	3.25
Gilt Income	101.3	106.1xd	-0.3	9.17
Gold Income	62.6	67.0xd	-0.8	4.38
Gold Acc	113.5	121.4	-1.1	4.29
Income	59.6	64.1xd	-0.4	5.84
Japan	45.0	48.0	-0.2	0.10
Malaysia & Singapore	27.3	29.1	-0.4	0.91
Pacific Income	68.5	73.3	-2.2	1.05
Pacific Re Inv.	83.0	88.8	-2.6	1.05
Preference Share	15.6	16.8		10.29
Professional	494.6	527.6	-2.6	1.96
Special Sits.	88.1	94.2	-0.2	1.83
Technology	42.0	44.9	-0.2	0.1
U S Special Bond	49.6	53.0	-0.3	6.27
Worldwide Capital	112.8	120.3	-1.0	1.77
Equity Exempt June 4	623.0	674.1xd		2.49
Equity Ex Acc June 4	1161.7	1239.1		2.49

Temple Bar Unit Trust Mgrs Ltd
Electra Hse, Temple Pl, Vic Emb, WC2. 836 7766

Electra Small Cos. Fd.	125.80	132.72		3.78
High Income	42.2	45.2		7.48
North American	108.6	115.5		0.67
Recovery	120.7	128.4		3.85
Gilt Trust	37.1	38.4xd		9.93
St Vincent U S Gwth	70.7	74.7		0.82
St. Vincent High Inc.	68.9	71.1		6.15

Touche, Remnant Unit Trust Mngt. Ltd.
Mermaid Hse, 2 Puddle Dock, EC4. 01-248 1250

TR American Growth	26.9	29.0	+0.1	0.27
TR General Growth	39.1	41.6	-0.3	2.43
TR Global Tech.	29.0	30.9xd	+0.1	0.10
TR Income Growth	44.1	47.5	-0.4	5.06
TR Income Monthly	38.9	41.4	-0.3	7.42
TR Overseas Growth	34.3	36.4xd	-0.4	1.73
TR Smaller Cos.	40.7	43.4	-0.4	1.88
TR Special Ops	42.5	45.8	-0.4	1.23

Trades Union Unit Trust Managers
100, Wood Street, EC2. 01-628 8011

TUUT June 1	134.5	141.6		3.59

Transatlantic and Gen. Secs. (c) (y)
91-99, New London Rd, Chelmsford. 0245-51651

Colemco June 7	376.9	394.0	+4.5	4.45
(Accum Units)	601.9	629.2	+7.3	4.45
Fielding Fd June 6	197.3	211.5		3.42
(Accum Units)	214.3	229.7		3.42
Fielding Inc June 6	136.8	146.4		5.35
Fielding AM&Gen June 6	209.6	222.4		1.96
(Accum Units)	235.7	250.1		1.96
S&W American June 5	139.2	146.1xd		2.52
S & W Smaller Secs.	95.9	100.9		2.00

Tyndall Managers Ltd.(a)(b)(c)
18, Canynge Road, Bristol. 0272 732241

Australian Securities	61.4	65.8xd	+0.5	0.73
(Accum. Units)	63.3	67.8	+0.5	0.73
Capital	266.6	282.6xd	-4.3	4.07
(Accum. Units)	460.4	488.2	-7.0	4.07
Exempt	224.2	238.8xd	-1.4	7.03
(Accum. Units)	485.0	516.6	-2.8	7.03
Far Eastern	119.9	128.8	-0.5	1.01
(Accum. Units)	127.3	136.8	-0.4	1.01
Fin & Prop.	40.2	42.9	-0.2	4.26
(Accum. Units)	60.9	64.9	-0.2	4.26
Gilt Capital Trust	112.9	117.4	+0.4	7.24
(Accum Units)	123.6	128.5	+0.4	7.24
Gilt Income	102.6	106.5	+0.2	10.31
(Accum. Units)	154.4	160.3	+0.3	10.31

INSURANCES

Barclays Life Assur. Co. Ltd.
252 Romford Road, E7 01-534 5544

Black Horse Life Ass. Co. Ltd.
346a, High St., Chatham 0634 405161

British National Life Assurance Co. Ltd
Perrymount Road, Haywards Heath. 0444 414111

Canada Life Group
2-6, High St, Potters Bar, Herts. P. Bar 51122

Cannon Assurance Ltd.
Lattam House, 16, Minories, EC3 01-902 8876

INSURANCE, OVERSEAS & MONEY FUNDS

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

NOTES

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
15Jan	15Jul	Treas 11½pc 1985	99¾	10.12	11.51	12.78
3 Mar	3 Sep	Treas 8¾pcCnv '85	99¼	25.1	8.84	12.58
22 May	22 Nov	Exch. 12¼pc 1985	100¼	15.4	12.24	11.92
25 Aug	25 Feb	Exch. 11¾pc '86	100	21.1	11.75	11.63
11Oct	11Apr	Treas. 10pcCnv 1986	98¾	5.3	10.13	11.53
19 Nov	19 May	Treas 3pc 1986	94¼	12.4	3.18	9.30
19 Nov	19 May	Exch. 10½pc Cv '86	99¼	12.4	10.59	11.47
12Dec	12Jun	Treas 12pc 1986	100¾	7.5	11.93	11.39
10 Jan	10 Jul	Treas 8¾pc 1984-86‡‡	97¼xd	3.6	8.75	11.38
29 Apr	29 Oct	Exch. 14pc 1986	103	25.3	13.59	11.53
21 May	21 Nov	Exch. 2½pc 1986	92¾	15.4	2.69	7.83
22Jul	22Jan	Exch. 13¼pc 1987	102¾	17.12	12.94	11.56
10 Aug	10 Feb	Treas 10¼pcCv '87	98	4.1	10.46	11.56
24Aug	24Feb	Exch 2½pc 1987	90¾	18.1	2.75	8.41
6Oct	6Apr	Exch. 10½pc 1987	98¾	1.3	10.65	11.35
1 Nov	1 May	Funding 6½pc '85-87‡‡	93¼	25.3	6.97	10.51
12Dec	12Jun	Treas. 10pc 1987	97½xd	23.5	10.24	11.36
14Jan	14Jly	Treas 3pc 1987	90xd	7.6	3.39	8.31
3May	3Nov	Treas. 12pc 1987	101¼	27.3	11.85	11.34
26 Jul	26 Jan	Treas 7¾pc 1985-88‡‡	93¼	20.12	8.31	10.75
10Nov	10May	Exch 10½pc '88	98¼	3.4	10.71	11.28
14Dec	14Jun	Treas 9¾pc Cv '88	96¼	8.5	10.15	11.33
1Jan	1Jul	Transport 3pc '78-88	85¾xd	28.5	3.50	8.36
25 Apr	25 Oct	Treas. 9½pc '88	94¾	19.3	10.01	11.35

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BEERS, WINES—Cont.

BUILDING, TIMBER, ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Jan.	July	Marshall's Universal	68xd	3.6	2.0	1.4	4.2	(21.6)
June	Dec	Do. 7½pcCuRedPf £1	85	10.12	7½%	—	12.6	—
Nov	May	Martin-Black	22§	5/79	—	—	—	—
—		♦Matthews 7¾%	£97	30.6	Q7¾%	2.3	8.2	—
—		♦Maraprint 1p	35	—	—	—	—	—
Jan.	June	Metal Box £1	402	26.11	†15.0	3.2	5.3	6.5
Nov.	June	Metal Closures	145	15.4	6.7	2.0	6.6	9.1
—		♦Metal Sciences 2½p	35	—	—	—	—	—
July	Jan	♦Midland Marts	104§	26.11	4.0	1.8	5.5	13.2
Jan	May	Mitchell Cotts	71	25.3	¶4.0	1.5	8.0	10.2
Jan.	July	Morgan Crucible	224	29.4	8.0	1.6	5.3	14.9
May		♦Morris (W) F.A. 20p	28	—	g0.5	♦	2.6	♦
Jan.	Aug.	Moss (Robt.) 10p	105xd	3.6	3.0	2.5	4.1	11.6
July		Myson Grp 10p	77	13.5	g2.5	3.4	4.6	14.6
May	Nov	♦NMW Computers	350	29.4	6.0	2.7	2.4	21.5
Mar.	Sept.	Nash Inds.	33	14.1	2.5	1.5	10.8	7.6
Oct.	April	Neil & Spencer 10p	25	3/83	—	—	—	7.5
Jan	July	Newman Inds 10p	42	22.79	—	—	—	♦
Jan July		Do. 10pc Cu.Cnv.Pf	41xd	3.6	10%	—	3.5	—
April	Oct	Nolton	53	26.11	g1.1	4.5	3.0	8.9
Jan.	Aug.	Norcros	171	24.12	8.6	♦	7.4	♦
Oct.	April	Nu-Swift 5p	52xd	3.6	3.0	1.6	8.2	10.0
Feb.	Aug.	Oakwood Grp.	95	28.1	d4.5	1.4	6.8	(14.0)
Jan.	June	Office & Elect	220xd	3.6	7.5	2.4	4.9	12.1
—		Oldacre 20p	85	28.1	u4.0	2.6	6.7	7.5
—		♦Optometrics $0.01	55	—	bd0.2c	—	2.9	58.4
May	Nov	Oriflame £1	470	25.3	23.4	1.3	7.1	14.6
Jan.	June	Owenstone 12½pc	17xd	3.6	†Q4.5c	♦	‡	♦
May	Nov.	Ozalid 9pc Cnv 87-92	£174	15.4	Q9%	—	5.3	—
—		♦PCT Grp 10p	160	29.10	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

MINES—Continued

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
—		♦Anglo Utd. Dev.	38	—	—	—	—
—		♦Centennial Min'ls.	142	26.3	—	—	—
—		♦Colby Res Corp.	90	—	—	—	—
Aug.	Feb	Cons. Murch. 10c	450	14.1	†Q100c	1.4	10.8
—		♦Emex Int. Ir10p	34	—	—	—	—
Sept	Feb	Hampton Areas 10p	177	24.12	3.75	2.1	2.8
—		♦Highwood Res.	165	—	—	—	—
May	Aug	Homestake Mining $1	£19¾	22.5	Q20c	—	1.0
—		♦McFinley Red Lake	217	—	—	—	—
—		♦Musto Explorations	255	—	—	—	—
—		♦New Sabina Res C$1	40	—	—	—	—
October		Northgate C$1	270	9/77	—	—	—
Jan.	July	RTZ	577	13.5	20.0	2.7	5.0
Jan	July	Do. 9½pcLn '95-2000	£127	13.5	Q9½%	14.0	(7.7)
—		♦Tara Explo $1	£11⅛	—	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xt ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	100	...	Arnotts	175	...
Craig & Rose £1	900	...	CPI Hldgs	50	...
Finlay Pkg. 5p	61	...	Carroll Inds.	124	+2
Higsons Brew	227xd	−3	Dublin Gas	53	...
Holt (Jos) 25p	740	...	Hall (R. & H.)	57	...
IoM Stm. £1	85	−5	Heiton Hldgs.	16	−½
IRISH			Irish Ropes	43	...
Fund 11¼% 1988	£97	...	Jacob (W.& R.)	88	...
Nat. 9¾% 84/89	£91½	...	Unidare	83	...
Fin. 13% 97/02	£102	...			

OPTIONS — 3-month call rates

Industrials	p				
Allied-Lyons	16	GKN	17	Turner Newall	10
BAT	32	Hanson Tst.	17½	Unilever	85
BOC Grp	25	Hawker Sidd	38	Vickers	19
BSR	16	Hse of Fraser	30	**Property**	
BTR	52	ICI	60	Brit Land	12
Babcock	14	'Imps'	10	Cap Counties	18
Barclays	48	Jaguar	28	Land Secs	25
Beecham	32	Ladbroke	24	MEPC	28
Blue Circle	45	Legal & Gen	50	Peachey	22
Boots	15	Lex Service	28	Samuel Props	14
Bowaters	20	Lloyds Bank	45	**Oils**	
Brit Aerospace	33	Lucas Inds.	25	Brit. Oil & Min	4
Brit. Telecom	11	Marks & Spcr	11	Brit Petroleum	42
Brown (J.)	3	Midland Bk	30	Burmah Oil	18
Burton Ord	39	NEI	8	Charterhall	6
Cadburys	14	Nat West Bk	60	Premier	5
Comm Union	19	P & O Dfd	36	Shell	60
Courtaulds	12½	Plessey	17	Tricentrol	18
Debenhams	17½	Polly Peck	26	Ultramar	19
Distillers	28	Racal Elect	18	**Mines**	
Dunlop	6	RHM	11	Charter Cons	18
FNFC	8½	Rank Org Ord	32	Cons Gold	44
Gen Accident	45	Reed Intnl	50	Lonrho	14
Gen Electric	17	Sears	8	Rio T Zinc	56
Glaxo	85	TI	20		
Grand Met	25	Tesco	20		
GUS 'A'	60	Thorn EMI	35		
Guardian	60	Trust Houses	13		

A selection of Options traded is given on the London Stock Exchange Report page.

"Recent Issues" and "Rights" Page 18

CURRENCIES, MONEY and CAPITAL MARKETS

FINANCIAL FUTURES

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

THREE-MONTH STERLING £500,000 points of 100%

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

STERLING £25,000 $ per £

DEUTSCHE MARKS DM 125,000 $ per DM

SWISS FRANCS SwFr 125,000 $ per SwFr

JAPANESE YEN Y12.5m $ per Y100

FT-SE 100 INDEX £25 per full index point

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

U.S. TREASURY BILLS (IMM) $1m points of 100%

CERT. DEPOSIT (IMM) $1m points of 100%

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

STERLING (IMM) Se per £

GNMA (CBT) 8% $100,000 32nds of 100%

WEEKLY CHANGE IN WORLD INTEREST RATES

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, band 3 bills 34 to 63 days and band 4 bills 64 to 91 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and ...

FOREIGN EXCHANGES

No clear dollar trend

A late rally took the dollar up sharply on Friday, after a particularly quiet week. It had been rumoured that the U.S. unemployment figures, announced at lunch-time in London on Friday, were going to be bad. This was expected to force the hand of the Federal Reserve into cutting its discount rate by another ½ per cent to 7 per cent, after a series of figures which have suggested that economic growth has not rebounded as expected

In the event unemployment in May was unchanged at 7.3 per cent and non-farm employment rose by 345,000. This appears to have taken the pressure off for an immediate cut in the discount rate, and accounted for the dollar's rise on Friday afternoon.

The currency may still be locked into a fairly narrow range of DM 3.03 to DM 3.09, but did move above a psychologically important resistance point of DM 3.0750 on Friday to close at DM 3.08. At times when there is a lack of data for the market to feed on and trading is very thin, these chart resistance levels have more importance than might otherwise be the case.

Figures published so far this quarter on the U.S. economy are rather confusing, but the fog may clear a little on June 20 when the flash estimate of second quarter gross national product is released. This could prove the key to the dollar breaking out of its present range, but only if the figure indicates the economy has rebounded from a disappointing first quarter, or that continued slow growth will produce lower interest rates.

Sterling proved of some interest in such a quiet market, showing again how susceptible it is to rumours about oil and interest rates. The Organisation of Petroleum Exporting Countries meets at the end of this month and the worry for sterling has been that Opec is manoeuvring for a reduction in prices.

STERLING INDEX

	June 7	Previous
8.30 am	79.4	79.2
9.00 am	79.4	79.1
10.00 am	79.4	79.2
11.00 am	79.4	79.1
Noon	79.5	79.2
1.00 pm	79.5	79.1
2.00 pm	79.5	79.2
3.00 pm	79.5	79.2
4.00 pm	79.3	79.2

£ IN NEW YORK

	June 7	Prev. close
£ Spot	$1.2700-1.2715	$1.2760-2780
1 month	0.53-0.51 pm	0.54-0.52 pm
3 months	1.51-1.48 pm	1.50-1.48 pm
12 months	4.17-4.10 pm	4.10-4.05 pm

Forward premiums and discounts apply to the U.S. dollar

FORWARD RATES AGAINST STERLING

	Spot	1-month	3-month	6-month	12-month
Dollar	1.2680	1.2627	1.2533	1.2423	1.2280
D-Mark	3.9100	3.8889	3.8447	3.7870	3.6960
French Franc	11.8950	11.8695	11.8350	11.8050	11.7650
Swiss Franc	3.2875	3.2663	3.2280	3.1780	3.0936
Japanese Yen	316.50	314.63	311.70	307.80	301.30

POUND SPOT—FORWARD AGAINST POUND

June 7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.2650-1.2775	1.2675-1.2685	0.55-0.52c pm	5.06	1.50-1.45pm	4.65
Canada	1.7358-1.7411	1.7375-1.7405	0.46-0.37c pm	2.86	1.26-1.12pm	2.83
Nethlnd.	4.39¾-4.41½	4.39¾-4.40¾	2½-2c pm	5.62	6¼-5⅞pm	5.45
Belgium	78.55-78.87	78.55-78.65	28-23c pm	3.89	75-68pm	3.59
Denmark	13.98-14.10½	14.09½-14.10½	3¾-2¾ore pm	2.77	10¼-9¼pm	2.87
Ireland	1.2392-1.2484	1.2469-1.2479	0.14p pm-0.02dis	−0.58	0.26pm-.17d	−0.14
W. Ger.	3.88½-3.91½	3.90½-3.91½	2½-2¼pf pm	7.10	6¾-6½pm	6.65
Portugal	219¾-225	220-224	95-415c dis	−13.78	305-1200dis	−13.56
Spain	221-222½	221½-222½	30-50c dis	−2.16	125-175dis	−2.70
Italy	2,475½-2,492½	2,482½-2,483½	1-4 lire dis	−1.21	7-10dis	−1.37
Norway	11.21½-11.28	11.22½-11.23½	¾ore pm-¼ dis	−0.07	¼-1dis	−0.20
France	11.85¾-11.92¾	11.89-11.90	2¾-2¼c pm	2.52	6⅞-5⅞pm	2.02
Sweden	11.27¾-11.32¾	11.28-11.30	3½-4ore dis	−3.98	10⅞-11⅜dis	−3.98
Japan	315½-317½	316-317	1.70-1.60y pm	6.26	4.90-4.75pm	6.10
Austria	27.30-27.55	27.42-27.52	14⅞-13¼gro pm	6.14	40⅞-38¾pm	5.65
Switz.	3.28½-3.29¾	3.28¾-3.29¾	2¼-2c pm	7.76	6¼-5⅞pm	7.30

Belgian rate is for convertible francs. Financial franc 78.95-79.05. Six-month forward dollar 2.60-2.55c pm. 12-month 4.10-3.95c pm.

BANK OF ENGLAND TREASURY BILL TENDER

	June 7	May 31		June 7	May 31
Bills on offer	£100m	£100m	Top Accepted rate of discount	11.8725	11.8184%
Total of applications	£469	£482.4m	Average rate of discount	11.8517	11.8010%
Total allocated	£100m	£100m	Average yield	12.24	12.16%
Minimum accepted bid	£97.04	£97.055%	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	54%	76%			

DOLLAR SPOT—FORWARD AGAINST DOLLAR

June 7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.2650-1.2775	1.2675-1.2685	0.55-0.52c pm	5.06	1.50-1.45pm	4.65
Ireland†	1.0140-1.0242	1.0150-1.0160	0.43-0.33c pm	4.46	1.30-1.00pm	4.50
Canada	1.3698-1.3715	1.3705-1.3715	0.24-0.27c dis	−2.23	0.64-0.69dis	−1.94
Nethlnd.	3.4405-3.4740	3.4705-3.4715	0.19-0.16c pm	0.61	0.67-0.63pm	0.75
Belgium	61.50-62.10	61.95-62.05	6-7c dis	−1.26	15-17dis	−1.04
Denmark	10.95¾-11.05	11.04½-11.05	1½-2ore dis	−1.91	4-4½dis	−1.55
W. Ger.	3.05-3.08¼	3.07¾-3.08¼	0.52-0.47pf pm	1.94	1.54-1.49pm	1.98
Portugal	174-176½	175-176½	150-400c dis	−18.78	450-1150dis	−18.21
Spain	173.45-175.17	174.40-174.80	105-115c dis	−7.58	320-350dis	−7.70
Italy	1,948-1,963	1,958-1,959	10-10¾ lire dis	−6.37	30-30½dis	−6.22
Norway	8.81-8.85½	8.84-8.84½	3½-4ore dis	−5.09	10¾-11¼dis	−4.98
France	9.31¾-9.39½	9.38¾-9.39¼	1.98-2.08c dis	−2.61	6.45-6.75dis	−2.83
Sweden	8.85¾-8.89¼	8.88¾-8.89¼	6¼-6¾ore dis	−8.80	19-19½dis	−8.88
Japan	248.05-249.55	249.45-249.55	0.32-0.26y pm	1.40	0.86-0.78pm	1.33
Austria	21.45-21.66	21.55-21.65	2.30-1.50gro pm	1.08	6.50-4.00pm	0.98
Switz.	2.5640-2.5980	2.5970-2.5980	0.55-0.52c pm	2.56	1.68-1.62pm	2.56

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 62.25-62.35.

OTHER CURRENCIES

June 7	£	$		£ Note Rates
Argentina Peso	803.93-805.34	633.77-634.37	Austria	27.20-27.50
Australia Dollar	1.9065-1.9105	1.5025-1.5050	Belgium	78.40-79.20
Brazil Cruzeiro	7,053-7,084	5,560-5,580	Denmark	13.89-14.03
Finland Markka	8.0995-8.1250	6.3760-6.3780	France	11.83-11.94
Greek Drachma	170.50-173.95	133.85-136.85	Germany	3.88-3.98
HongKong Dollar	9.8600-9.8700	7.7700-7.7730	Italy	2470-2505
Iran Rial	[illegible]	[illegible]	Japan	[illegible]
KuwaitDinar(KD)	[illegible]	[illegible]	Netherlands	[illegible]
Luxembourg Fr.	[illegible]	[illegible]	Norway	[illegible]
Malaysia Dollar	[illegible]	[illegible]	Portugal	[illegible]
New Zealand Dlr.	[illegible]	[illegible]	Spain	[illegible]
Saudi Arab. Riyal	[illegible]	[illegible]	Sweden	[illegible]
Singapore Dollar	[illegible]	[illegible]	Switzerland	[illegible]
Sth African Rand	[illegible]	[illegible]	United States	[illegible]
U.A.E. Dirham	[illegible]	[illegible]	Yugoslavia	[illegible]

* Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu June 7	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian franc	44.9008	45.2092	+0.69	+0.73	±1.5471
Danish krone	8.14104	8.04807	−1.14	−1.10	±1.6419
German D-mark	2.24184	2.24344	+0.07	+0.11	±1.1475
French franc	6.87456	6.84060	−0.49	−0.45	±1.3669
Dutch guilder	2.52595	2.52913	+0.13	+0.17	±1.5171
Irish punt	0.72569	0.716481	−1.27	−1.23	±1.6673
Italian lira	1403.49	1430.67	+1.94	+1.94	±4.0770

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

CURRENCY MOVEMENTS

June 7	Bank of England Index	Morgan Guaranty Change %
Sterling	[illegible]	[illegible]
U.S. dollar	[illegible]	[illegible]
Canadian dollar	[illegible]	[illegible]
Austrian schilling	[illegible]	[illegible]
Belgian franc	[illegible]	[illegible]
Danish Kroner	[illegible]	[illegible]
Deutsche mark	[illegible]	[illegible]
Swiss franc	139.1	+7.1
Guilder	112.4	+3.1
French franc	64.9	−15.5
Lira	45.4	−16.8
Yen	155.8	+12.1

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

June 7	Bank rate %	Special Drawing Rights	European Currency Unit
Lira	15½	1946.74	1430.67
Yen	5	247.354	182.539
Norway Kr.	8	8.80090	6.45919
Span'h Pta.	—	173.336	127.625
Swedish K	11.5	8.80090	6.50588
Swiss Fr.	4	2.56473	1.88555
Greek Dr'ch	20½	154.889	99.9518
Irish Punt	13¾	0.973254	0.716481

* C$/SDR rate for June 8: 1.36864

EXCHANGE CROSS RATES

June 7	Pound Sterling	U.S. Dollar	Deutschem'k	Japanese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.268	3.910	316.5	11.90	3.288	4.403	2485.	1.739	78.60
U.S. Dollar	0.789	1.	3.080	249.5	9.390	2.596	3.471	1959.	1.371	62.00
Deutschemark	0.256	0.324	1.	80.95	3.042	0.841	1.126	635.0	0.445	20.10
Japanese Yen 1,000	3.160	4.005	12.35	1000.	37.58	10.39	13.91	7846.	5.494	248.3
French Franc 10	0.841	1.066	3.287	266.1	10.	2.764	3.701	2087.	1.462	66.08
Swiss Franc	0.304	0.386	1.189	96.27	3.618	1.	1.339	755.3	0.529	23.91
Dutch Guilder	0.227	0.288	0.888	71.89	2.702	0.747	1.	564.0	0.395	17.85
Italian Lira 1000	0.403	0.511	1.575	127.5	4.791	1.324	1.773	1000.	0.700	31.66
Canadian Dollar	0.575	0.729	2.248	182.0	6.840	1.890	2.532	1428.	1.	45.20
Belgian Franc 100	1.272	1.613	4.975	402.7	15.13	4.183	5.601	3159.	2.212	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

June 7	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short-term	12 11/16-12 13/16	7¾-7⅞	9⅞-10¼	7-7⅛	1¾-2	5½-5⅝	10 1/16-10 3/16	13-14	8¾-9¼	8⅞-9⅛	5 13/16-5 15/16	10-10½
7 days' notice	12 11/16-12 13/16	7½-7⅝	9⅝-9 15/16	7-7⅛	2⅛-2⅜	5½-5⅝	10 1/16-10 3/16	13⅛-14⅛	8½-9	8⅝-8⅞	6⅛-6¼	9¾-10¼
Month	12 11/16-12 13/16	7 7/16-7 9/16	9⅝-9⅞	6 13/16-6 15/16	4 15/16-5 1/16	5 7/16-5 9/16	10 1/16-10 3/16	13⅜-13⅞	8½-9	8¾-8⅞	5¾-5 7/8	9¾-10¼
Three months	12⅜-12½	7 7/16-7 9/16	9⅝-9⅞	6 11/16-6 13/16	5-5⅛	5 7/16-5 9/16	10 3/16-10 5/16	13⅝-13⅞	8½-9	8⅞-9	6¼-6⅜	9⅝-9⅞
Six months	12⅜-12½	7⅞-8	9½-9 11/16	6 11/16-6 13/16	5 1/16-5 3/16	5½-5⅝	10 5/16-10 7/16	13⅝-13¾	8¾-9¼	8⅞-9	6¼-6⅜	9⅝-9⅞
One year	11 15/16-12 1/16	8¼-8⅜	9½-9 11/16	6⅝-6¾	5 1/16-5 3/16	5⅝-5 11/16	10 13/16-10 15/16	13½-14	9⅛-9⅝	9 3/16-9 5/16	6⅜-6½	9½-10

Asian $ (closing rates in Singapore): Short-term 7⅝-7¾ per cent; seven days 7⅝-7¾ per cent; one month 7½-7⅝ per cent; three months 7½-7⅝ per cent; six months 7⅝-7¾ per cent; one year 8-8⅛ per cent. Long-term Eurodollars: two years 9¼-9½ per cent; three years 9 11/16-9 13/16 per cent; four years 10-10¼ per cent; five years 10¼-10½ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

MONEY MARKETS

Fading hopes of lower base rates

Interest rates were slightly easier on the London money market last week, but there was nothing to suggest that pressure is building up for another cut in clearing bank base rates.

The focal point for the market was the mid-May money supply and bank borrowing figures. A rise of ½ per cent in sterling M3 was in line with expectations, and a great improvement on the previous month's increase of 2.9 per cent, but this still left the annualised growth rate well above target.

It has been pointed out that monthly increases of only ½ per cent will be needed for the rest of the year to bring the growth rate back on target.

This is the statistic Mr Nigel Lawson, the Chancellor, suggests should be given more attention, but at present the market continues to concentrate on M3 and bank lending.

Interbank rates fell about ¼ per cent before the money supply figures were published on Tuesday, but showed no further reaction afterwards, as the market began to sense that the figures were not good enough to bring about lower base rates.

Dealers initially felt there might be scope for all the banks to come into line at 12½ per cent, but when sterling quickly lost about 4 cents on the foreign exchanges, as a result of oil price rumours and suggestions of lower London interest rates, these hopes began to fade.

A rebound in rates will not displease the authorities, who are also looking to reduce as far as possible the differential between rates on eligible paper and the interbank market.

Discount house buying rates for three-month eligible bank bills fell by up to 1/16 per cent to 11⅞ per cent on Tuesday morning, but at the end of the week were bid at around 12 per cent

Heavy demand for bills, which can be sold on to the Bank of England, to finance some very large day-to-day credit shortages in the market has depressed bill rates. This has encouraged banks' commercial customers to issue bills, and relend the money received at a profit in the interbank market.

MONEY RATES

June 7	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.40-5.50	10¼	1⅞-2⅛	7-7⅛	6.15625	15⅛-15½	9.4	12¾-13
One month	5.50-5.60	10⅛-10¼	4⅞-5	6 11/16-6 13/16	6.28125	15-15⅛	8¾-9	12½-12¾
Two months	5.55-5.70	10⅛-10¼	—	—	—	—	—	12⅜-12⅝
Three months	5.55-5.70	10⅛-10¼	4 15/16-5 1/16	6¼-6⅜	6.28125	15⅛-15½	8⅞-9⅛	12¼-12½
Six months	5.6-5.75	10 5/16-10 7/16	—	6⅛-6¼	—	—	8⅞-9⅛	12¼-12½
Lombard	6.0	—	—	—	—	—	—	—
Intervention	—	10⅛	—	6⅞	—	—	—	—

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

Columns: June 7 1985 | Sterling Certificate of deposit | Interbank | Local Authority deposits | Company Deposits | Market Deposits | Treasury (Buy) | Treasury (Sell) | Eligible Bank (Buy) | Eligible Bank (Sell) | Fine Trade (Buy)

Rows: Overnight; 2 days notice; 7 days notice; 7 days notice; One month; Two months; Three months; Six months; Nine months; One year

Overnight: Interbank 5-13; Local Authority deposits 12¾; Company Deposits 11-12¾; Market Deposits 6-12¾.

FT LONDON INTERBANK FIXING

(11.00 a.m. June 7)

Three months U.S. dollars	
bid 7 7/16	offer 7 9/16

Six months U.S. dollars	
bid 7 11/16	offer 7 13/16

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

Columns: Local Auth. negotiable bonds | Local Authority Deposits | Finance House Deposits | $ Cert of Deposits | SDR Linked Deposits | ECU Linked Deposits

Rows: One month; Two months; Three months; Six months; Nine months; One year; Two years; Three years; Four years; Five years

Two years: 11¾; Three years: 11 1/16; Four years: 11⅛; Five years: 11⅛.

ECGD Fixed Rate Export Finance IV: Average Rate of Interest period May 8 to June 4 (inclusive): 12.677 per cent. Local authority and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 13 per cent from June 1, 1985. London and Scottish Clearing Bank Rates for lending 12½-12¾ per cent. Bank Deposit Rates for sums at seven days' notice 6.68-7.25 per cent (net). Treasury Bills: Average tender rate of discount 11.8517 per cent. Certificates of Tax Deposits (Series 6): Deposits £100,000 and over held under one month 12¾ per cent; one-three months 12¾ per cent; three-six months 12½ per cent; six-nine months 12¼ per cent; nine-12 months 12¼ per cent. Under £100,000 11¾ per cent from May 14. Deposits held under Series 5 12¼ per cent. The rate for all deposits withdrawn for cash 8 per cent.

MONEY RATES

NEW YORK (4 pm)

Prime rate	10
Broker loan rate	8½-8¾
Fed funds	7¼
Fed funds at intervention	(-)

Treasury Bills

One month	6.85
Two month	7.09
Three month	7.14
Six month	7.24
One year	7.42

Treasury Bonds

Two year	100⅞
Three year	102 7/32
Four year	100 9/16
Five year	100 27/32
Seven year	107⅞
10 year	106¾
30 year	106⅞

FINANCIAL TIMES SURVEY

Europe's volume producers are fighting back with new models which seriously challenge the specialist executive car makers. But the long-expected Japanese move "up-market" has now resulted in a flood of high-tech vehicles that leave no grounds for complacency.

Executive Cars

Hugh Routledge

A range of the luxury and executive cars available from Hertz Leasing, showing the Porsche 944 (foreground) and, left to right: Saab Turbo 16S, Jaguar 4.2 Sovereign, Mercedes 280E, BMW 728i, Rolls-Royce Silver Spirit, Ford Granada 2.8 Ghia

CONTENTS

Tougher battles lie ahead

By JOHN GRIFFITHS

MOST OF Europe's volume car manufacturers have paid a heavy price for their relative inactivity in the executive car sector since the late 1970s.

In spite of the fact that it is an area of the market which holds out the prospect of high profitability per unit, particularly when expensive "extras" are added, it has received — until relatively recently — scant attention from companies such as Ford, General Motors, Renault and BL.

That this is the case is to a large extent understandable: in the crisis atmosphere following the second oil crisis, and with the gathering threat from the Japanese motor industry with all its production cost advantages, the Europeen industry had to be concerned with making cars for the volume market which were more fuel efficient and which could be produced more cost effectively. The investment needed to develop cars like the Ford Escort, Vauxhall Cavalier, BL Metro and their ilk have been enormous and the pace of investment throughout the industry is still accelerating.

Between 1981 and 1990 the total is expected to reach \$80bn-\$100bn. Yet, collectively, Europe's six largest car makers have lost some \$2.3bn over the last five years and cash flow projections by Prof Krish Bhasker, whose research unit at University of East Anglia monitors the industry, suggest that by 1990 there will be a deficit of between \$20bn and \$30bn.

So the inactivity has had more to do with lack of resources than any willingness to give ground to those companies which specialise in the executive car sector such as Mercedes, BMW, Volvo, Saab, Jaguar and Porsche.

The effect, however, has been that with few exceptions —for example, Volkswagen's determined development of its Audi operation to become what is often referred to as its "in-house BMW" — executive car sales among the volume manufacturer have diminished markedly as ageing models have failed to be replaced.

Ford provides a classic case: its "old" Granada model was first launched in 1971 and by 1978 had built up sales in Europe to a peak of 210,000 a year. It received only a minor "facelift" in 1981, and by last year sales had fallen to under 70,000. A similar experience befell most of its rivals.

The "specialist" producers have by contrast, consistently increased production, sales and profitability — with Mercedes, for example, expecting this year to cross the 500,000 units a year production threshold for the first time. And the fact that they have invested heavily to produce cars of high perceived engineering integrity and a clear "up-market" image has made them particularly attractive to wealthy U.S. buyers.

As a result during the recent period of the exceptional strength of the dollar, they have made a financial "killing" and are relatively well placed to finance the continuing investment needed for the future.

(It must be said, too, that the arrival of flexible manufacturing and robotics has helped them considerably. Under the "old" manufacturing techniques which applied until the end of the 1970s, the future of most of the specialists looked grim. It was the conventional wisdom of the time that a manufacturer needed a minimum production run of 250,000 cars a year on "dedicated" assembly lines to achieve competitive economies of scale. Now, flexible manufacturing allows companies to produce a variety of models within the same total production volume, at no great cost disadvantage).

The success of the specialist producers, however, has not been sufficient to offset a large decline in Europe's overall executive car sector since the early 1970s. Then, executive cars accounted for about 19 per cent of all new car sales; currently they are estimated to account for 14 per cent.

In the past 12 months, however, volume car producers have begun to fight back with a vengeance, with a host of new models either introduced or far advanced in the pipeline. For both volume and specialist manufacturers alike the effect will be crucial. Will it leave both sides fighting increasingly hard for slices of a cake, the size of which remains unchanged, resulting in "price wars" and diminished profitability? Or, will it have the effect of expanding the market back towards mid-1970s levels, particularly now that concern about fuel prices has diminished and there is renewed emphasis among buyers on performances and specification?

Quite why the shrinkage has occurred remains a matter of some debate. One school of thought suggests that, particularly at the lower end of the executive car sector, there has been an element of "down-sizing," both for economy reasons and, more recently, because younger executives have been opting for the large variety of high-performance hatchback models, epitomised by Volkswagen's Golf GTi, as an alternative to the larger, conventional executive car.

This is particularly the case in the UK, where a high proportion—about 50 per cent—of all new cars are bought by companies, many of which have allowed "user-chooser" executives such cars in preference, say, to the similarly-priced basic 2 litre Rover or Granada.

The fading appeal of the volume manufacturers' ageing products, however, is also seen as a prime ingredient. And motor industry analysts DRI Europe, for one, considers that the current and future influx of new models from the volume producers is likely to produce a considerable expansion.

In West Germany, for example, DRI forecasts that after a sharp fall in sales this year brought about by uncertainty over the EEC's pending exhaust emissions legislation, executive car demand in the country will jump to 695,000 next year from 603,000 in 1985, climbing to 751,000 by 1990.

In France, where Renault is still introducing further variants on its new 25 range of executive cars (replacing the 20/30 models which like the Granada had been basically unchanged since the 1970s), it expects demand to rise to 262,000 by 1990 from 231,000 this year.

Similarly, a jump in demand in the UK—where Austin Rover's collaborative executive car venture with Honda, the XX, is due to be launched early next year—is forecast over the same period, from 180,000 to 222,000. DRI expects growth to be even more marked in Italy, where Fiat, Lancia and Alfa Romeo are introducing several new executive models this year, rising from 138,000 to 182,000.

Combined West European production of executive cars is seen as expanding significantly by 1990, reaching 2.7m compared with just over 2m in the trough of the recession in 1982.

Much of the growth is attributed to the volume producers, and there is no question that they need it. Ford, for example, is looking to its new Granada/Scorpio range—in which it has invested \$380m for production equipment alone at Cologne—to help it reverse its steep decline in profitability within Europe since 1979. Then, it was making profits of about \$1bn a year; by last year it had dropped to \$184m.

CONTINUED ON PAGE 2

Executive Cars 2

There is still considerable confusion about the rights of EEC consumers

Dilemmas over buying in Europe

Opel Senator 3.0E CD saloon. Only Opel dealers surveyed would accept orders for UK-specification cars without hesitation

THE EUROPEAN consumer has the basic right "to buy a motor vehicle and to have it maintained or repaired wherever (meaning in whatever Common Market country) the price and quality are most advantageous to him." That sentiment is enshrined in Community law.

Yet trying to decide if a car is worth buying in another Common Market country is becoming an increasingly difficult and complex task.

Fluctuating exchange rates and the fact that in some countries items are included in a car's standard specification where they have to be paid for as optional extras in others are just two of the difficulties encountered.

However, the UK Consumers' Association offers this rule-of-thumb advice: "If a British car buyer can get a good deal in terms of discounts, it may not be worth going abroad. But if the buyer wants a popular or newly-introduced model that is not selling at much, if any, discount in the UK, he or she should book his or her ferry ticket."

Another complicating factor in the equation is the European Commission's determination to bring car prices throughout the Community more into line at the pre-tax level.

To this end a new regulation comes into force in July which aims to keep prices (before tax for the same model within an 18 per cent band.

This might mean that only executive cars and other more-expensive models become the only ones worth taking the trouble to shop abroad for. After all, it might not be worth the trouble of travelling a long way to save even 17.5 per cent on a £4,000 car but it would certainly be worth the effort to save it on a £14,000 model.

There is still considerable confusion about the rights of the European consumer and at the beginning of this year a Consumers' Association survey showed that British car buyers were still being thwarted when they attempted to purchase low-cost vehicles in Belgium, one of the Common Market countries where cars are relatively inexpensive.

Telephone inquiries by the association produced point-blank refusals by Ford and Mazda dealers to supply right-hand-drive cars. And some Austin Rover, BMW, Fiat, Nissan, Peugeot, Toyota and Volkswagen dealers said they would not take orders.

Only Opel dealers accepted orders for UK-specification cars without hesitation — but then they are in a special position because General Motors, Opel's parent company, sells most of its cars with Vauxhall badges in Britain and saves the Opel brand for only a limited range of sporty cars. The Senator was recently added to the list badged "Vauxhall" instead of "Opel."

The association continues to point out that while any dealer has the right to refuse to supply it is against European Community law for manufacturers to restrict trade in cars.

If the association's survey is anything to go by, each manufacturer has been giving its dealers different instructions. "A Ford dealer said they had received a letter instructing them not to sell; another commented that it was a gentlemen's agreement between stockists so as not to disadvantage British stockists.

A Toyota dealer said the European Community was against it (the provision of righthand-drive cars in Belgium) and a Peugeot dealer that he had instructions from the factory not to sell: he said he called it sabotage, they called it protecting the British stockist," the association says.

"The acid test of the EEC's new rules will be whether the manufacturers are going to abide by them. For that we are going to have to rely on the consumer knowing his or her rights and complaining loudly when they are not respected," the association maintains.

The clause in the new regulation which primarily affects the private motorist is the one which insists on "full-line availability." Essentially, this provision is intended to ensure that motorists can buy a car anywhere in the EEC at the local pre-tax price, without undue difficulty or delay, and can then have the car serviced under guarantee, irrespective of where it was bought in the EEC.

The Commission says, however, that customers can be charged a supplement to cover "objectively justifiable" extra costs, such as distribution costs or difference in specification or trim.

The guidelines to the regulations which come into force in July also make it clear that the 18 per cent "rule" (where prices for the same model must not stray outside an 18 per cent pre-tax price band) will not apply in markets where there are major distortions in retail prices.

The 18 per cent rule will not apply, for example, where the tax on cars is more than 100 per cent of the pre-tax price. Currently that eliminates Greece and Denmark from the reckoning.

Also excluded is any market where there have been controls on prices or margins of profit for more than one year. At the moment that would exclude Luxembourg and Belgium.

In these "distorted" countries any dealer a UK customer might approach for a righthand-drive model would be allowed to charge the lowest pre-tax price currently available in any Common Market country without "distortions."

As things stand that could be Holland or West Germany. The upshot is that consumers will actually be worse off under the new regulations than they are at the moment. They will not be able to pop across from the UK to that convenient country across the Channel, Belgium, to buy cars at the Belgian pre-tax prices.

But, while the consumer organisations are disappointed with the outcome of all their campaigning about European car prices, the motor industry seems reasonably satisfied.

Concern

Ford, which in many ways had more to lose than any other manufacturer if the Commission had ignored the industry's reasoned arguments, says: "The major changes since the earlier drafts have taken away the regulation's immediate threat, but it still could be of great concern to European motor manufacturers if economic conditions change."

The key change to the regulation, as far as the industry is concerned, was that the Commission at first suggested that if prices before tax were more than 12 per cent out of line between one Community country and another a manufacturer would lose its right to selective distribution—the ability to restrict sales of new cars to their own, franchised dealers.

In practice, that would have opened up the way for unofficial traders to buy cars in the lowest cost country in the Common Market and sell in the highest-cost, undercutting and undermining the manufacturer's own dealer network.

However, the Commission significantly softened its approach. The new regulation says it will take an 18 per cent difference to spark off an immediate reaction by the Commission — and that reaction would be in the form of an inquiry by the Commission.

There would also be an inquiry if a 12 per cent difference in the price of the same car in one Community country and another persisted for 12 months or more.

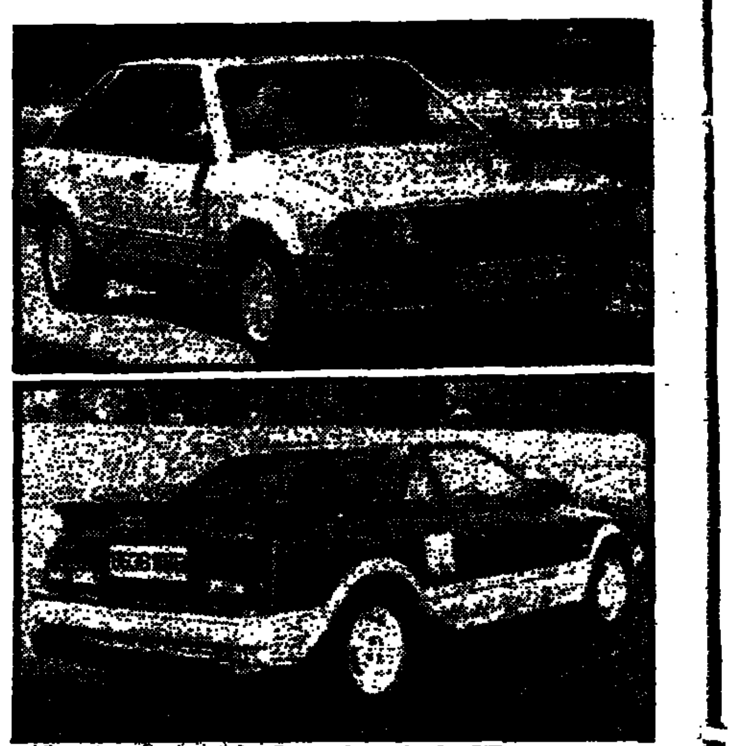
So, for the consumer not much will change when the new regulation comes into effect. The Commission has enshrined the selective distribution system which means that there will be no substantial unofficial second channel of distribution, perhaps by companies with enough finance to take cars on spec from lowest-cost Common Market countries to the ones where pre-tax prices are higher.

Franchised dealers must refuse to supply new cars to or through a third-party organisation which acts like an unauthorised reseller. Documentary evidence that a customer is waiting for a car must be supplied by organisations acting as intermediaries.

Thus any third-party, unofficial organisation which offers "imported" cars on spec at low prices from now on will either be infringing Community rules or, more likely, will have been buying left-hand-drive vehicles and converting them to right-hand-drive in Britain.

The 18 per cent rule should ensure that pre-tax prices throughout the Community drift closer together. Whether or not the consumer benefits from this drift remains the remit of national governments because, while the Commission has been very determined to cut pre-tax price differences, it has so far been restrained in tackling those governments which impose very high taxes on cars to restrain sales and, therefore, imports.

Kenneth Gooding



Top: Ford's Escort Ghia, and below the new 124 mph Toyota MR2 sports car. The volume producers are in increasing competition in the specialist sectors

Tougher battles lie ahead

CONTINUED FROM PAGE 1

Only last month, Mr Sam Toy, chairman of Ford UK disclosed that the British company had made its first operating loss since 1971, attributing the reverse to the continued heavy discounting throughout Europe as the result of excess capacity —now hovering around 2.5m units.

Ford is reticent about sales targets for the new model, but it must be hoping to move back closer to the 200,000-a-year-sales of the "old" Granada at its peak.

Mr Gordon MacKenzie, Ford of Europe vice-president, sales, will say only that Ford wants the car to do better than its predecessor. And he acknowledges that it is facing very severe competition.

But with an eye on wooing buyers away from even its most prestigious rivals, Ford has put much effort into meeting Mercedes, BMW and their ilk on their own ground in technology terms. The new car is the first from any volume manufacturer to offer anti-skid braking as standard, for example.

It is not only the Granada that is being put up as a rival, however. Recently, Ford also launched a 130 mph four-wheel-drive Sierra, to take on BMW in particular. A 150 mph version, using an engine developed by grand prix engineers Cosworth, is to follow—all as part of Ford's efforts to acquire an image on a par with the specialists.

Similar goals are being pursued by others among the volume producers. General Motors, through its Opel/Vauxhall subsidiary in Europe, is expected to launch its own new generation of executive cars next year, also incorporating much new technology.

The same applies to the joint Austin Rover/Honda executive model—which in reality is the first of a completely new generation of cars from Austin Rover (the smaller Montego actually represents the last of the generation inspired by Sir Michael Edwardes' initial recovery plan).

Austin Rover has not been alone in seeking to collaborate in order to cut costs—although it is the first in Europe to do so on a significant scale with a Japanese producer.

As an example of how the European industry is beginning to close ranks to stay competitive, Saab, Lancia, Fiat and Alfa Romeo have all collaborated on the "Type Four" executive models, sharing similar floorplans but with markedly different bodies and engine. These cars will form the basis of their attacks on the executive markets.

All these developments have been taking place against the background of a number of severe external pressures on the industry, quite apart from internal competition.

In the past 12 months, the long-foreshadowed move by the Japanese into Europe with much more up-market models, incorporating "cutting edge" technology has begun to materialise in earnest. And at first Nissan, now Honda, and probably other Japanese makers, have moved to assemble volume cars in Europe, so the prospect must be raised of their import quotas being used to instigate a much more determined attack on the executive sector.

At the same time, the industry must cope with the new exhaust standards which will be announced in Brussels by the end of June. The picture regarding cars of over 2 litres is clear —from 1988 onwards they will be required to have catalytic converters.

But continuing uncertainty over the regulations for smaller cars—and whether "lean burn" engine technology is a viable alternative for them—has been proving another costly drain on research and development resources which, faced with the Japanese challenge, the industry can ill afford.

And just a few days after the emission standards are to be announced, further EEC regulations, requiring net-of-tax prices to vary by no more than 18 per cent between member states, becomes effective. The rules are considerably relaxed from initial proposals, allowing a 18 per cent variation.

Nevertheless, manufacturers have been fiercely opposed to them, arguing that it remains an absurdity for the EEC to impose price "harmonisation" on the motor industry, when Governments have so patently failed to harmonise the overall EEC economy itself.

Out with the old and in with the new has its compplications, as Rob Golding reports

Volume makers juggle with new models

NOTHING ERODES confidence in a prestige car faster than the knowledge that the manufacturer is plotting its downfall.

Throughout last year replacements for tho two local heroes, the Rover and the Granada were "imminent." As it turned out, neither of the two new models was launched during the year. The Granada was delayed until last month and the Rover will not be on sale until 1986.

But fleet managers are no fools, and the greater proportion of these models are sold to companies. No fleet manager who values his job is going to talk his directors into vehicles that will be obsolete even before the ink on thepaperwork is dry.

Granada sales dropped to 23,000 from 24,000 the year before. The Rover suffered a good deal worse, losing 8,000 sales from the 21,500 of the previous year.

Austin Rover — Britain's national car company — always pays heavily for close public scrutiny of its affairs. Its collaboration with Honda on the project code-named XX has been the subject of intense international interest. The shape of the car that will be called the Rover 600 is known.

The specification has been widely forceast in the specialist motoring Press, and company executives have themselves been guilty of "talking up" the anticipation for the newcomer.

To make matters worse, it now finds Ford in a position to sell exactly the concept that it has been trying to establish for the last ten years. Like the Rover, the Granada is now a big five-door with no coupe or estate derivative. The Rover's unique selling proposition has gone.

It no longer seems to matter too much that the Rover is British while the Granada—like the majority of cars in the executive car sector—is built entirely in Germany. Importers often describe the British car buyer as the most "pragmatic" in Europe. That means he is far more objective than the French, Germans and Italians and far less chauvinistic.

Vauxhall has exploited this independent spirit magnificently. In 1982 it sold 2,640 of its rather characterless Carlton. The car did not improve much, but Vauxhall's image did and so did the incentives to dealers.

In 1983 Vauxhall disguised the Carlton's German origin as successfully as Ford did with the Granada and sold 17,000. Last year that was up again to over 20,000 making it for the first time more popular than the Rover.

The Vauxhall name has become a purely British anomaly for everything that parent, General Motors sells in Europe is badged as an Opel. It had been trying to establish the Opel marque in Britain as the prestige end of the UK GM range with the ultimate aim of reflecting the glory down among bread and butter Vauxhall cars and ultimately standardising on the Opel name.

Identities

The unequal struggle has now been abandoned. The Opel Senator became a Vauxhall Senator at the end of last year, and it is unlikely that the Opel name will ever appear again in the British best-sellers chart.

In the first quarter of 1985, Vauxhall sold nearly 1,500 Senators — almost the number sold as Opels in the whole of the previous year.

VAG has also had its problems in mixing and matching Volkswagen and Audi. After a couple of abhortive years being forced into the same mould, they are now commanding very separate identities. Volkswagen no longer makes a pretence at building executive cars.

The Audi 100, restyled with immediate success in 1983, lost little ground last year. The German company's internal forecasts for this year and next are to increase sales but not market share.

Audi likes to think that it sets the standard on technical innovation. This has certainly been the case with diesels, having established the principle that while remaining noisy, a diesel engine that is turbo charged can have reasonable performance and refinement.

Four-wheel drive was its other striking contribution. In Britain, people like to dismiss all-wheel drive as a gimmick, with only those who have had first-hand experience in snow conceding that maybe it has a purpose.

Audi was predicting that 15 per cent of its sales would be Quattro (4WD) versions but having recently introduced the compact Audi 90 Quattro at an ambitious £13,500 and failed to meet the demand, it may have to reschedule.

French volume manufacturers had mixed fortunes in the British executive sector. In a reversal of the situation at the small end of the market where Peugeot is happily jumping on Renault's new 5 with the successful little 205, Renault has done well.

From a standing start, the Renault 25 range sold more than 3,000 in Britain last year. It has no particular cachet—in that the nationalised company has no reputation for luxury cars—but its comfort and specification makes it a pretty irresistible bargain when compared to the comparatively spartan German makes.

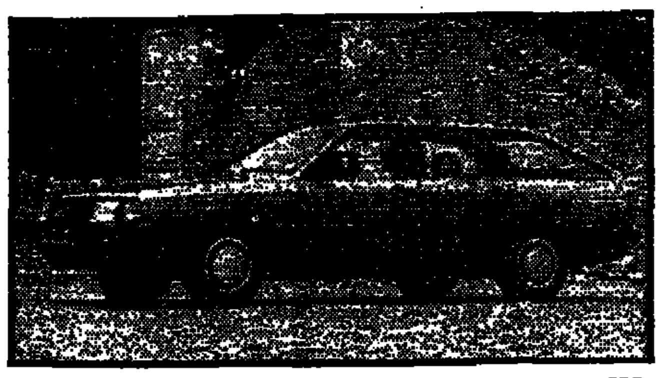
Peugeot has finally conceded that its cumbersome 604 is well off the pace and withdrawn it. Only 66 were sold last year and holding parts had just become more pain than profit.

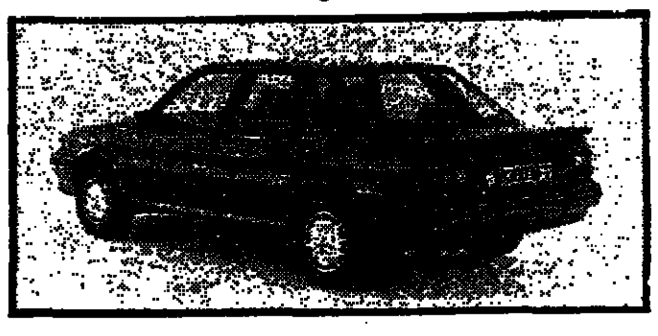
Stablemate Talbot also discreetly left the scene with the Tagora which, although being a much more modern machine (introduced here in 1981) mustered only an embarrassing 132 sales.

All of which leaves only Citroen. Poor Citroen suffered a sudden and somewhat unjstified collapse of interest among the business buyers of Britain. The car still has a lot going for it—modern styling, superb comfort, perfectly adequate performance but there are just too many dealers who say "merci, non" when offered a CX in part-exchange for anything else. Residual values blow a gaping hole in the running-cost column marked depreciation.

From a casual observation as to what seems to be around on the roads at the moment, it is hard to imagine that Citroen failed to sell four CXs a day last year.

It is getting harder and harder for volume manufacturers who want to be represented from top to bottom of the size range to sell their flagships just because they are there. Sentiment and marque loyalty do not have the strength they once did—not when the competence of the specialist manufacturers is as great as it is.





Above: the latest Audi 100 Avant; below: the new MG Montego Turbo

A marked increase in registrations is expected, says **Kenneth Gooding**

Shift in UK market shares

THERE IS no better example of General Motors' careful, precise and logical approach to building up its market share in Britain than that of the Carlton in the executive sector.

In 1982 only 2,640 Carltons were registered in the UK. Last year the model raced past two more contenders to settle at second place in Britain's executive car market.

The revolution was created by GM which tailored the Carlton for the British market, pushing up the level of specification and incorporating "tax break" engine sizes.

However, the Carlton's rise was undoubtedly helped by the success of the Cavalier from the same stable. Now firmly entrenched as the second-best-selling car in Britain after Ford's Escort, the Cavalier has caused a big switch to GM-Vauxhall-Opel dealerships.

And, just as in the car market as a whole, it has been BL's Austin Rover which has felt the main impact of the GM success.

ARG's Rover SD1 saloon, always plagued by reliability problems in the past, is now fading fast. ARG desperately needs XX, the top-of-the-range saloon it has jointly developed with Honda of Japan.

XX was due to be launched later this year—and the Honda version will be seen at the Tokyo Motor Show in the autumn. But ARG has delayed the introduction until the spring of next year to make sure the XX is completely ready.

At present Rover's SD1 is the only British car in the executive sector because one of the major changes GM made when it decided to push the Carlton was to move the entire production back to West Germany.

Granadas are built at Ford's Cologne factory in West Germany and, ironically, the Swedish-assembled Volvo 200 series, now in third place in the UK executive car league, probably has more British components than either the British-sounding Ford Granada and Vauxhall Carlton.

In this respect — keeping Britain represented in the lucrative executive car sector—the XX is potentially as important to ARG as the Montego was. Not only will it round off the all-new range to encourage the fleet customers to buy British for all their requirements, XX will also have an important image-building role to play for ARG.

The battle between the four major models—to all intents and purposes the executive car sector in the UK is a four-horse race—in the past couple of years has taken place against a relatively stable background.

Demand for executive cars remained at about the same level last year as in 1983. In 1984 some 133,540 executive cars were sold, representing 7.45 per cent of the total UK new car market. In 1984 the total was 130,385 for a 7.44 per cent share.

The top end of the car market also follows this pattern and close to 14,600 luxury cars were registered in 1983—giving a 0.81 per cent share of total sales—while 1984 saw sales of 14,140 and a 0.71 per cent share.

The incentive campaigns and other promotional activity which helped boost the UK car market to a record 1.79m in 1983, eased off slightly last year and registrations slipped back to 1.749m.

The industry forecast for 1985, made via the Society of Motor Manufacturers and Traders, is that sales will again fall back to 1.72m.

Executive car registrations are expected to increase markedly in the next year or so following the introduction of the new Granada Scorpio and XX. New entrants to a sector have a habit of attracting more buyers and increasing sales.

For example, last year Renault put up a much better performance in the UK executive car market because its new R25 was available to replace the R20/30 range which, apart from being rather long-on-the-tooth, had never been particularly attractive to the British buyer.

Ford hopes to sell 30,000 of the new, aerodynamic, hatchback Granadas in the first year, which will not be particularly easy because at first there is no estate version. Estate cars accounted for about 10 per cent of total old Granada sales and Mr Sam Toy, chairman of Ford of Britain, believes that six out of ten estate car buyers will remain estate car buyers and be lost to the Granada as a result.

Ford insists that the hatchback configuration of the new Granada enables it to fulfill the role of both booted car and estate. However, fleet buyers in Britain are sure that an estate version of the new Granada will not be long in arriving

Ford's arch rival, GM, was able last year to take some advantage from the fact that most buyers knew the old Granada was to be phased out, perhaps in favour of a car with a completely different name. They remembered that Cortina, the name on the best-selling car in Britain for very many years, was dropped in spite of its appeal to UK customers.

Ford has not made the same mistake again and retained "Granada" in Britain while dropping it on the Continent where the company's newcomer is called Scorpio.

Those who argued in favour of the old name for a completely different body shape maintained it provided a point of reference for the potential customer—Ford does not have to explain just what part of the market or what type of buyers it is aiming for with the new car.

GM has also been taking steps to protect sales of the old Senator as the new Granada is launched — and once again there was a debate about the name.

The question arises: Would GM sell more Senators in the UK if it had a Vauxhall instead of an Opel badge? Those supporting the status quo, and "Opel," say that the German badge gives the Senator an up-market, import image. Those favouring "Vauxhall" pointed to Ford's success in the fleet market with the German-built Granada because the "Ford" si seen to be a "British" company selling "British" cars.

The latter argument won the day and last autumn, when other changes were made to the Senator's specification, the badge was changed from "Opel" to "Vauxhall."

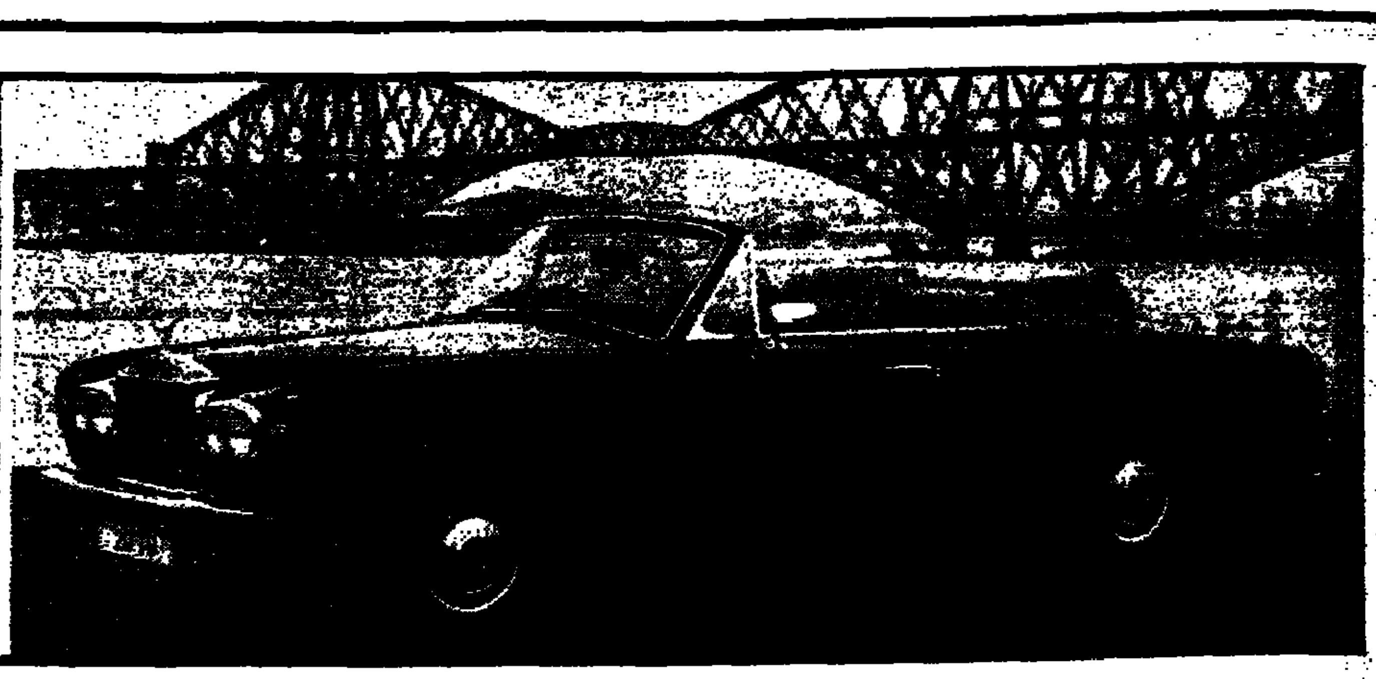
New entries and increased competition should bring sparkle back into the executive sector. DRI Europe, the forecasting group which uses slightly different criteria to establish just what can be called an executive car than the Sewells organisation whose research is shown in the table, reckons in its latest report that executive car registrations will ease back this year to 180,000 from 182,000 in 1984.

But registrations will increase steadily in the period to 1990 and by that year should be nearly 25 per cent above the current annual level at 222,000, says DRI.

The UK executive car sector

	1983 Units sold	1983 % Of total market	1983 % Of sector	1984 Units sold	1984 % Of total market	1984 % Of sector
ARG Rover SD1	21,587	1.2	16.16	16,689	0.95	12.79
Audi 100	6,877	0.38	5.14	6,885	0.39	5.28
Audi 200	331	0.02	0.24	814	0.05	0.62
BMW 5-series	8,055	0.45	6.03	6,802	0.39	5.21
Citroen CX	2,253	0.12	1.68	582	0.03	0.45
Citroen CX25	18	0.00	0.01	619	0.04	0.41
Colt Sapporo	496	0.02	0.3	105	0.01	0.08
Ford Granada	24,073	1.34	18.02	23,215	1.33	17.8
Mercedes 190	355	0.02	0.26	2,996	0.17	2.29
Mercedes Compact	8,734	0.49	6.45	7,809	0.45	5.98
Nissan Laurel	2,072	0.12	1.55	1,424	0.08	1.09
Nissan 280C	326	0.02	0.24	60	0.00	0.04
Opel Monza	792	0.04	0.59	713	0.04	0.54
Opel Senator	2,043	0.11	1.52	1,714	0.1	1.31
Peugeot 604	101	0.01	0.07	66	0.00	0.05
Renault 20/30	1,560	0.09	1.16	571	0.03	0.43
Renault 25	—	0.00	0.00	3,118	0.18	2.39
Saab (all models)	9,490	0.53	7.1	8,835	0.5	6.77
Toyota Cressida	280	0.02	0.2	1	0.00	0.00
Toyota Crown	252	0.01	0.18	37	0.00	0.02
Vauxhall Carlton	17,082	0.95	12.79	20,182	1.15	15.48
Volvo 200 series	21,381	1.19	16.01	19,650	1.12	15.07
Volvo 700 series	3,107	0.17	2.32	4,378	0.25	3.35
VW Santana	2,363	0.13	1.76	3,116	0.18	2.38
Sector total	133,540	7.45	100	130,383	7.44	100

Source: Sewells Digest analysis of SMMT statistics



The Bentley Mulsanne (above) and Rolls-Royce Corniche which with cars such as the Jaguar XJS (below) have sold well as the U.S. economy has boomed

North America sales boost for luxury cars

Greater marketing efforts and a booming U.S. economy have improved sales for Rolls-Royce and Jaguar. Lorne Barling reports

BRITAIN'S reputation for producing some of the world's best luxury cars has been enhanced in the past year, partly through more attention to quality, but also as a result of greater marketing effort in North America.

The booming U.S. economy has clearly been a major factor in the improved sales of both Jaguar and Rolls-Royce cars in that market, since neither has chosen to reduce prices as a result of improved exchange rates.

On the other hand, it has allowed them to avoid price increases and encouraged greater marketing commitment. Rolls-Royce, as the incumbent banner-holder for British prestige cars, has been delighted to find Jaguar in strong support.

"Whatever each of us does in the U.S. tends to help the other," a Rolls-Royce spokesman said. "We are both ambassadors for Britain and we are consolidating our positions this year."

In terms of increases in sales, Rolls-Royce's rise from 1,046 cars sold in the U.S. in 1983 to 1,083 last year may not seem significant, but the company is well satisfied with its steady progress.

Only about 2,400 cars are produced each year, of which the majority go to America, about 700 to the British market, and the rest are scattered around the wealthier parts of the world, notably the Middle East.

North America is the market with the greatest potential for Rolls-Royce, and the company is slowly increasing its commitment there, with 70 dealerships in the U.S. and six in Canada. The West Coast remains the strongest area, with the Dallas area of Texas growing fast.

The British market has also picked up lately, with 58 cars being sold in April this year compared with 48 last year, which is attributed to the fading recession and the added impetus of the new Bentley 8, launched in June last year.

This no-frills version sells at £49,500, and is mechanically identical to the Rolls-Royce Silver Spirit at just under £60,000. It is aimed at the younger market, and its traditional Bentley grille gives a sportier image.

The Bentley Mulsanne Turbo and recently-launched Bentley Turbo R are both selling well, while Continental sales, particularly in West Germany, are improving for all Rolls-Royce cars, the company said.

The Jaguar success story is now well known, with total production last year of 33,437 cars up 19 per cent on 1983. Just over 18,000 Jaguars were sold in the U.S. last year, an increase of 14 per cent on the previous 12 months.

December last year marked a high point for Jaguar in the U.S. since its remarkable improvement in production quality, with more than 2,000 cars being sold in a single month for the first time.

In the first three months of this year, about 4,250 cars were sold in America, maintaining the general increase of around 10 per cent a year. The strength of the dollar has allowed Jaguar to forgo any price increases in the U.S. recently, while maintaining its marketing pressure.

Its policy has been to reduce the number of dealerships in North America, but to improve their quality, underlining the quality aspects of the cars.

The company is no longer troubled by the emission control regulations in the United States, having geared up to the production of a quite separate model for that market, while the fuel consumption tax levied on larger cars has also come to be accepted.

One of the next major challenges for Jaguar is West Germany which Rolls see as the most important market in Europe, with about 60,000 luxury cars being sold into it each year. Mercedes naturally has the greatest share of this, but Jaguar would like to take about 10 per cent by the end of the decade.

This means that it will have to raise its sales there from the figure of just under 2,000 cars last year to about 6,000. The target for 1985, which seems likely to be achieved, is 2,500.

The company believes there is a growing market for an "out of the ordinary" luxury car in the German market, since it indicates a new form of status. Demand is particularly strong for the 12-cylinder models, since it appears that this unique aspect of Jaguar is particularly appealing.

In price terms, Jaguar comes in at the lower end of the Mercedes S class range, in line with its policy of being broadly the same price as comparable cars in foreign markets. In the UK, Jaguars remain considerably less expensive than Mercedes.

In Holland, Belgium and France, Jaguar has recently appointed new importers, and formed its own company in Germany to handle imports. In the Benelux countries sales are also looking promising, but in France Jaguar is faced with punitive taxes levied on the owners of cars with engines larger than three litres, and sales have reflected this. Italy is also patchy, also due to selective taxation, and the market for larger cars is regarded as very limited.

The Jaguar XJS sports car is selling well both at home and abroad in its various versions, and the company is now beginning to look ahead to the marketing challenge which will be presented about the middle of next year by its long-awaited XJ40 which will replace its existing XJ series.

This at least is the present thinking, but may perhaps be influenced by the American conception that the existing model range is "new," since they have so little experience of Jaguar. The continued success of these cars will be hard to ignore.

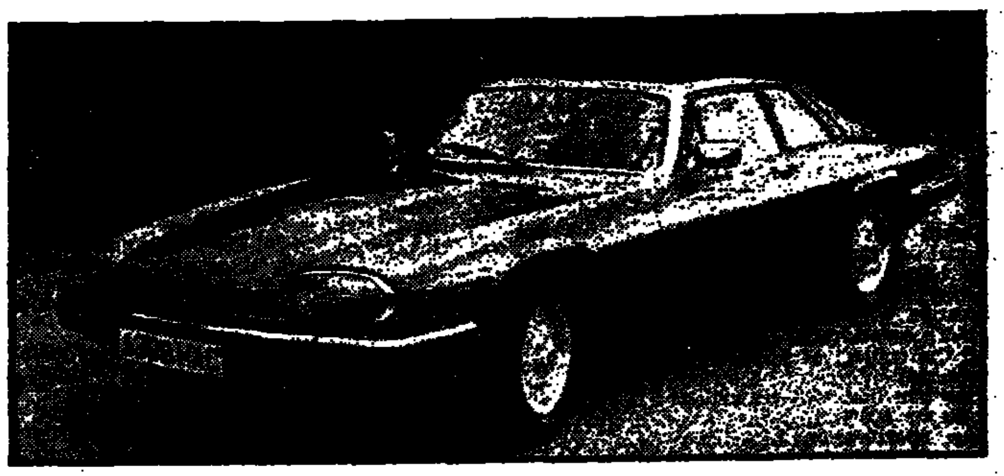
Another solidly British car with a strong following in America is Aston Martin, which produces about 200 vehicles a year, of which 80 to 85 go to the U.S., 60-65 to the home market and the others to the rest of the world.

The company regards the American market as particularly buoyant, having taken up some of the slack which has developed in Middle East demand. Like other companies, Aston Martin has chosen to hold its U.S. prices and improve its margins.

On the West Coast, sales of its Volante convertible have improved recently, while the rest of the sales are spread fairly evenly throughout the country.

Another prestige British carmaker, Bristol, has also seen demand for its cars hold steady in the past year, with waiting lists still long. A Bristol Brigand, for example, cannot be delivered in less than six months after an order is placed.

"Our cars are really for people who want the best without ostentation, and they are usually patient enough to wait for one," a spokesman said.

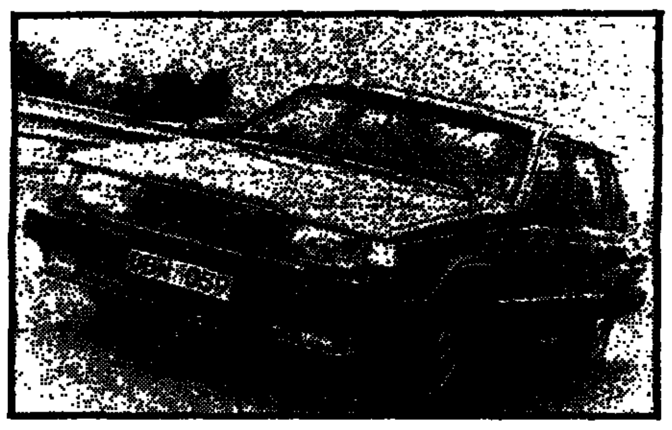


The medium-size sector is setting records, says Rob Golding

Swedish makers raise worldwide profits

WHILE BMW and Mercedes are doing very nicely thank you, Swedish manufacturers seem to be leading a charmed life.

Volvo and Saab make cars in numbers that are peanuts by international standards. They have a high labour-cost economy. Yet in the toughest and most competitive market that anyone can remember, they not only held their markets they increased their profits.



The Volvo 760 Turbo. In the UK Volvo has stretched its domination of the executive car sector

In Britain, Saab steadfastly refused to get involved in the discounting war and coolly allowed sales to drift down from the 9,490 of 1983 to 8,835 last year. It did them absolutely no harm financially: profits rose from £2.2m to £2.5m.

In their more euphoric moments, Saab executives were heard to boast that on their worldwide sales of just over 100,000 cars they made a clear profit of £1,000 a car.

Because of the imprecise way that the industry defines the executive car sector, the league table does little credit to Saab. Alhough many of its 900-series models cost below £10,000, the volume lost in the period spent hardening prices was from the bottom end—the 90 and the 99.

That is no real loss because Saab's drive is determinedly upmarket. The 9000 range arrives in Britain in October. That is Saab's first all-new design since the late 1960s and will be a £16,000 car competing squarely with the BMWs and Mercedes.

Limitations on development cash forced Saab to evolve the Although many of its 900-series volume lost in the period spent 99 model into the 900 a bit at a time. There was a new rear end, then a front end and only now is there a replacement for the cabin construction.

The key to Saab's survival was the development of a satisfactory turbo. The Swedes created that fashion which is still spawning imitators whose grasp of the engineering principles is less than perfect.

Irresistible

The 9000 should have been in Britain long ago but the attractions of the American market have proved irresistible and all available capacity is being devoted to it. A sales record was set for 36 consecutive months. Only last month did the climb finally peak.

Just to make sure there can be no regression, Saab has another trump yet to play. A Cabrio version will be available in the first half of next year.

Volvo has not done badly either. Although it cannot quite reach the fabulous profits of £1,000 a car, the group results were a record. In Britain it stretched its lead over the Ford Granada for domination of the executive car market.

Why such a ponderous design should dominate such an image-conscious market remains a mystery. A Volvo executive reasoned plaintaively: "We think there must be some inverted snobbery involved."

It is the same in the States with Volvo now enjoying the status of leading imported car. Once converted to the notion that bulky is beautiful, Volvo owners take a bit of shaking. There is a 70 per cent repeat purchase pattern.

Since October, there has been a choice of Volvos. The 740 has been introduced to run alongside the 240. For how long no one knows for sure but the Swedes have given a commitment that the old car will stay on the American market for the next five years at least.

In Britain at the start of the 1986 model year, there will be a new 740 estate. If you have ever wanted to buy shares in a vehicle's success—this is the one.

Ford was selling 16 per cent of its Granadas as estate cars and has just said goodbye to that business with the new-shape Granada. There is no estate derivative planned.

The 740-series sold 3,300 in the short time it was available last year so there is known to be a reception for it. And Volvo's estate sales to the green welly brigade is typically 60 per cent of the total.

BMW's sales improvement seems unstoppable. In terms of turnover, the British concessionaire is the largest importer outside America although France—particularly fond of the small 3-series car—sells a larger number.

The BMW formula is to stuff three basic body sizes with a seemingly infinite number of engines. The 5-series—the only model to be classified as executive class by the industry—comes in seven distinct performance specifications.

The recent addition of the 518i to the bottom of the range and the 535i to the top has attracted so much attention to the car that sales in the first quarter of this year were 36 per cent up on the same quarter last year.

Constant improvement to the range of performance saloons helps to distract attention from the fact that the design is becoming extremely dated.

BMW sales declined in Germany last year because of the metalworkers' strike and because of all the trouble with the catalyst legislation. Many buyers have been holding off to discover whether or not they are going to be required to have catalysts fitted.

The downturn followed through into this year and the first quarter was down 20 per cent on the same period last year. It does not prevent BMW having ambitious expansion plans however. It will double the output of its modern engine plant in Austria to 300,000 units a year by 1987.

It all means that the supply situation in Britain should ease slightly. There is no replacement in sight for the 13-year-old 5-series and the only model-change stimulation within the next 12 months will be a new luxury-class 7-series with, at the top of the range, a five-litre 12-cylinder engine.

Mercedes is more virile by far. It too has a 12-cylinder engine coming for the flagship class but more importantly the W124 range—already on sale in Germany — displaces the executive class 200-series in the autumn.

Put that alongside the 190-series, which arrived in the UK in 1983, and the strength of the range is formidable.

For certain 124 models the queue stretches to 1987, and to meet the demand for 190 models, which is now the third best-selling car in Germany, production at Bremen is due to rise from 290 to 450 units a day.

If all goes to plan, total production will rise by 60,000 to 540,000 this year.

Reservations

No one was convinced there would ever be a substantial market for a small Mercedes. Even the German planners had their reservations when they found themselves committed to a small car in response to the fuel crisis long after the effects of the Arab cartel had ceased to be felt.

Despite the fact that rear seat accommodation is very poor—no better than a Ford Orion—the British market took the 190 to its heart and bought 3,000 last year, compared with nearly 8,000 of the traditionally-sized but near-obsolete 200 series.

The Mercedes experience is representative of the overall story in the executive car class. Quality-built cars produced by the companies that specialise in this one area of the market are far more successful than cars which carry the same badge as family and fleet vehicles.

And as the following for the quality builders strengthens, and residual values harden, many owners are finding that the running costs are not substantially greater than cheaper, mass-produced imitators.

The age of the specialist is here to stay.

European and U.S. buyers are again seeking performance instead of economy

Strong revival for sports cars

FEW WOULD have predicted after the second oil crisis and in the early days of the recent recession, that the future looked anything other than bleak for the smaller producers of high-performance and sports cars.

Everything seemed to weigh against them: soaring fuel prices, less disposable income to acquire what essentially could be seen as a luxury and, from the makers' point of view, a seemingly hopeless disadvantage compared with the economies of scale available to volume producers.

Instead, the sporting car industry is enjoying one of its strongest revivals for many years.

A considerable factor has been the strength of the dollar against European currencies, and hence the ability of companies such as Porsche, Lotus, TVR and others to sell into what is still the world's largest sports car market at substantial profit.

But the attitude of large numbers of buyers on both sides of the Atlantic has also been shifting, away from economy consciousness and back towards performance. There is plenty of evidence for this in the volume cars sector:

Sports versions of "bread and butter" hatchbacks, like Volkswagen's GTi and Ford's XR3i, in sales terms have been far outperforming the new car market overall, with growth rates of 15 per cent or more against mostly static markets.

Fun machine

Nor is their sales growth explained away entirely by the fact that they are the modern, practical alternative to the traditional sports car. Toyota has demonstrated this with the European launch in the spring of its MR2 mid-engined two-seater—by definition an impractical, but fun, machine if ever there was one.

Toyota's import companies have been overwhelmed by demand for it. Toyota (GB), the Inchcape Group-owned UK importer, allocated just 1,500 this year, has been pleading with Japan for more; has been promised a total of over 2,000 but still cannot supply enough.

The sports car revival is proving sufficiently strong for Porsche of West Germany, perhaps the world leader in terms of product and technology image, to be planning to reach a watershed this financial year: for the first time, it expects to produce in excess of 50,000 of its upmarket 924, 944, 911 and 928S ranges.

That is a large jump compared with 1984, when it built just under 45,000. But output then was hit badly by the seven-week West Germany metalworkers' strike. At the start of the 1980s, Porsche was producing about 30,000.

Demand for its vehicles worldwide, but particularly in the U.S., is now running well ahead of capacity. And rather than allow customer waiting lists to lengthen interminably, the company is investing heavily to increase output.

At the same time, Porsche is continuing to spend substantial sums on further developing and refining its models, being well aware that its reputation stands or falls on whether it is seen to be permanently at the "cutting edge" of vehicle technology.

Porsche is also uncomfortably aware, however, of the need to strike a balance between sales growth and the preservation of an aura of exclusivity which helps the company command a price premium for its products.

Thus Peter Schutz, its German-born American chief executive, makes clear that output growth will remain under firm control. He rejects completely a number of reports which have suggested that Porsche might consider producing a cheaper "Porsche for the masses."

Nevertheless, Porsche's investment on both production and output fronts continues to grow at a very rapid rate. It almost doubled last year to DM 254m (although this included the costs of setting up its own U.S. importing operation in Reno, Nevada, after years of being handled by Audi) and in the current financial year ending July will have risen again to more than DM 300m.

The company appears well able to afford it: despite the heavy investment, net profit rose last year by 33 per cent to DM 92.4m.

A by no means insignificant contributor to its overall performance, however, is its provision of engineering, development and technology services to outside industry from its research centre base at Weissach.

The list of other manufacturers models in which it has played a considerable role is lengthy, with customers ranging from Seat of Spain to Lada of the Soviet Union (whose upcoming first front-wheel-drive car has had much of its engineering work carried out by Porsche).

Last year, Weissach provided DM 120m of Porsche's turnover, and its contribution is expected to increase rapidly in coming years.

Such contracted services have been playing an even more insignificant role in the revival at Group Lotus, the Hethel, Norfolk-based specialist carmaker founded by the late engineering genius Colin Chapman.

Building on an initial £12m contract to develop the ill-fated De Lorean in the late 1970s, Lotus now has at least £18m-worth of engineering contracts, spread over at least 25 contracts and 17 clients.

One of its most significant, worth an estimated £10m, was signed this spring, under which Lotus will jointly develop with Chrysler high-performance engines to be used in Chrysler's 1988 model year cars.

Lotus's chief executive, Mr Michael Kimberley, sees the Chrysler link as possibly opening the door to further substantial contracted engineering business in the U.S. and is prepared to set up a second research and development centre there if subsequent business justifies it.

The external R and D work was a major contributor to Group Lotus' small profit of £476,000 last year, on a turnover of £16.8m. But after many years of marginal profitability, and near-bankruptcy following Mr Chapman's death just over two years ago, Lotus "has never looked healthier," according to its chairman, Mr David Wickins, head of the British Car Auctions group.

Lotus is now 26 per cent owned by BCA, 17 per cent Toyota and 11 per cent by the J. C. Bamford earth-moving equipment group and has benefited substantially from the £6m financial rescue package organised by Mr Wickins after Mr Chapman's death. Chrysler, soon, is also expected to take a stake of about 5 per cent to further increase its financial underpinnings.

Car production and development plans are moving on apace. For the first time in many years, Mr Kimberley expects Lotus' car output this year to pass the 1,000 mark, reaching 1,020 compared with 837 in 1984. That in itself saw a leap forward from 1983, when only 642 were built.

In the trough of the recession, the company was down to under 400. Its current model plans are ambitious, including the launch late next year of its X100, a two-plus-two front-engined sports car, using Toyota engines and gearboxes, and intended to sell at about the £10,000 mark—much cheaper than its existing Excel and Esprit ranges. The X100 will also take it on to a new production plateau: output of up to 3,000 cars a year is planned, in addition to the current models.

In mid-May, Lotus took the concrete step of signing up contractors to develop two former aircraft hangars on its Hethel site into an assembly plant for the X100 and to expand its R and D facilities. Thus by early next year, its plant area will have increased by about a third.

Prototype

Shortly after the X100 is launched, Lotus has plans to enter the true "supercar" bracket—pitching directly against the fastest Ferraris—with an all-new car first shown in prototype form at the Birmingham Motor Show last year. It will use a Lotus V8 engine, in various configurations up to a rumoured 600 bhp. Appropriately, given its expected 170 mph—plus performance, it is to be called the Etna.

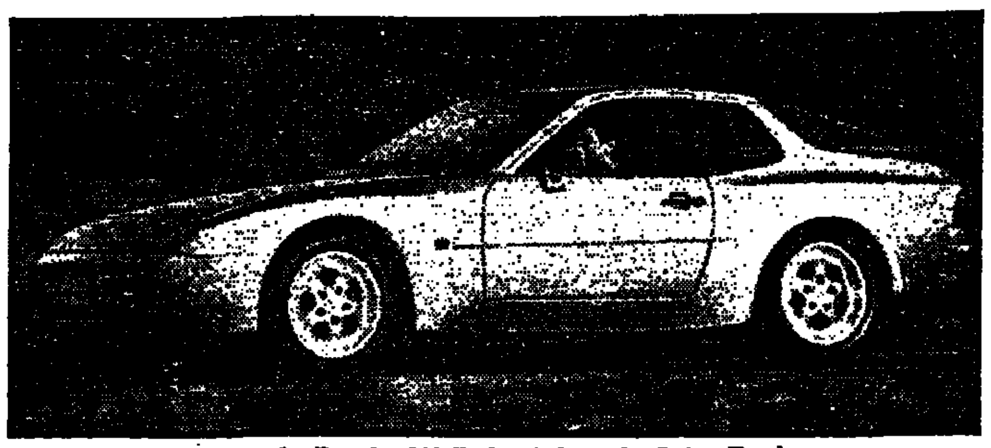
Smaller manufacturers such as Blackpool-based TVR continue to thrive. For more than a year now, TVR has been operating a seven-day week to meet demand for its plastic-bodied, Ford and Rover V8-powered two-seaters.

The company is currently in the process of expanding its premises to handle production rising past 600 cars a year, which are exported all over the world. Its managing director, Stuart Halstead, has also been investigating the possibility of an extra assembly site in France, to facilitate servicing of Continental markets.

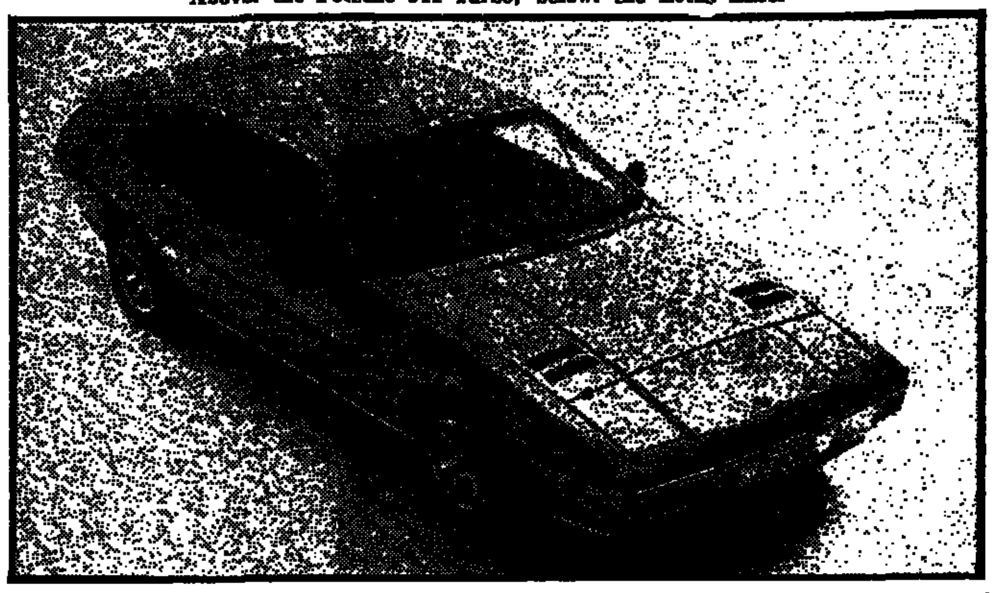
If there is a disappointment in store for many would-be sports car buyers, in the UK and overseas, it relates to the Panther Car Company, owned since 1980 by the Kim brothers of South Korea's Jindo Industries conglomerate. Its planned Solo mid-engined two-seater caused a sensation when it was unveiled, also at Birmingham last year, and when it was announced that the company planned to bring the car into production in 1986 at a price of about £12,000.

The arrival of the Toyota MR 2, however, has induced a change of plan. Mr Young C. Kim, Panther's chairman, says that the £9,300, 125-mph MR 2 has made it impossible for the Solo to compete effectively on price.

The Solo is still expected to appear, but in radically different form. Mr Kim has been negotiating with Ford for supplies of the 200-bhp Cosworth engine which is to power Ford's 150-mph Cosworth Sierra. If the deal comes off, the Solo will emerge with a likely production ceiling of 800 cars a year—and with a price of about £22,000.



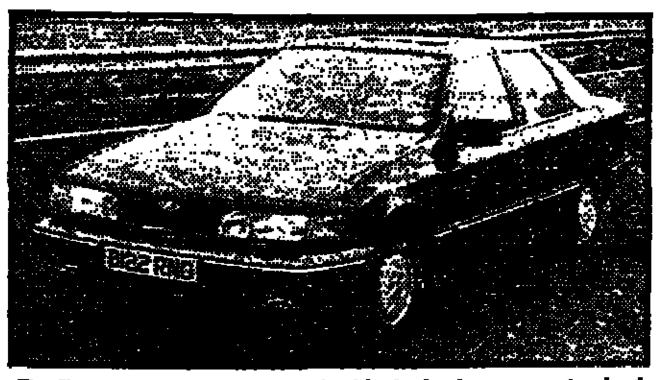
Above: the Porsche 944 Turbo; below: the Lotus Excel



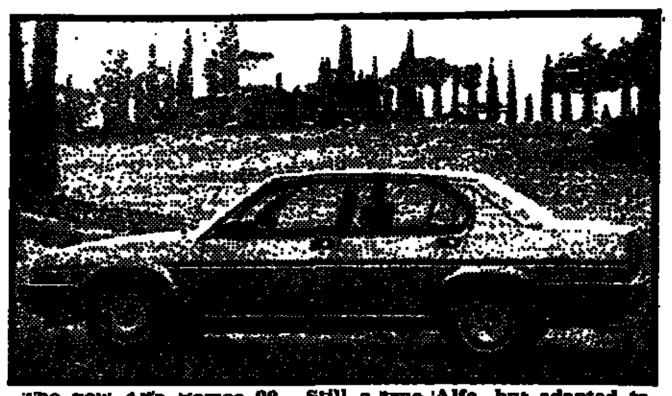
Executive Cars 6

Stuart Marshall gives his views on the latest models

Scorpio enters the market



Ford's Granada Scorpio. Anti-lock brakes are standard throughout the Granada range but power steering becomes an extra on the four-cylinder models



The new Alfa Romeo 90. Still a true 'Alfa, but adapted to suit British business drivers

Made for bad winters; the Audi 90 Quattro. With permanent four-wheel drive, snow and ice hardly matter

The 136 mph CX 25 GTI Turbo—the fastest four-door saloon car Citroen has offered

FORD'S eagerly-awaited Granada replacement has reached the UK executive car market but a number of equally-distinguished newcomers are waiting in the wings. The Lancia Thema, Saab 9000 and Mercedes-Benz W124 range are already available in left-hand drive markets but will not reach Britain until later in the year.

It has been common knowledge for some time that the Rover SD-1's replacement will be the jointly developed Rover/Honda Project XX and that the long delayed Jaguar XJ-40 will take over from the veteran, though seemingly ageless, XJ-6 and XJ-12 saloons. Only the date is in doubt.

The Granada (Scorpio in all markets but Britain where, confusingly, the poshest model is called the Granada Scorpio though continental buyers know it as the Scorpio Ghia) was itself delayed by the need to offer a catalytic converter for exhaust emission control in Germany.

Ford has taken a bold step in making electronically-controlled anti-lock brakes a standard fitment on the new Granada. They take all the drama out of emergency braking on wet and slippery roads. But the four-cylinder cars, with engines ranging from 1.8 to two litres, do not have power steering, though it is offered at extra cost. Will the customers support Ford's decision? Emergency stops happen but rarely, but the lack of power steering is perceived every time you park.

Granada is a good car, though mechanically it is not much changed from the old model and the styling is controversial. Is a hatchback right for the executive market? Will its similarity to Sierra from the front help or hinder sales?

Time will tell. It has an excellent ride; the two power-steered models I have driven (a two-litre and 2.8 litre) were responsive and stable at high speed, though the 2.8 showed a worrying sensitivity to side winds at lower speeds.

Interior space is greater than the old car's though the new Granada is marginally shorter overall. Ford sees the Granada as a rival to Audi, BMW, Renault's 25 and, especially, Mercedes-Benz.

The new Mercedes-Benz W124 range, from 200 to 300e, will be the executive car to beat. Broadly similar in styling and mechanical design to the compact Mercedes 190, the W124 replaces the best-selling W123 range of two-litre to three-litre cars.

Brief experience confirms the correctness of Daimler-Benz's decision to standardise on 65 series, ultra low-profile tyres. The new cars have sharper, livelier handling than any previous Mercedes model; more interior space, higher performance and better economy.

There is the usual wide choice of 4-cylinder, 5-cylinder and 6-cylinder petrol and diesel engines with 5-speed manual or 4-speed automatic transmissions. Power steering is standard and ABS brakes available throughout the range. The first cars are due in Britain in October.

Alfa Romeo's 90, with a 2.5 litre V6 and the entire transmission in unit with the final drive, remains typically Alfa but less idiosyncratic and thus better suited to the executive user. Much the same may be said of Citroen's latest CX, the 25GTi Turbo, and the smaller BX19GT. They still trample bad roads flat but feel more firmly sprung than previous Citroens.

Handling

For the business motorist who must be able to ignore weather conditions and range far and wide in midwinter, there is nothing quite like an Audi Quattro. From the 90 to 200, these permanently four-wheel-driven cars offer a new dimension in safety, security and sheer ease of handling in conditions that force other motorists to tiptoe along.

The day is not far distant when all cars of high power-to-weight ratio will be expected to have permanent four-wheel drive as a matter of course. Ford is aware of this trend. The Sierra XR4x4 with an ingenious system splitting the power one-third to the front wheels, two-thirds to the rear, will be here any day. A 4x4 Granada follows in six months.

Lacking a centre differential, the Subaru RX Turbo 4x4 cannot be used in four-wheel drive on dry roads but it goes like a poor man's Quattro on wet or snow-covered ones.

Austin-Rover Group's Montego, MG badged with a turbocharger, MG or Vanden Plas badged with fuel injection, is fast and relaxed on the motorway, flexible in town, comfortable to ride in at all times. The big SD-1 Rover, with engines from 2-litres to 3.5 litres, is beginning to feel its age though the Vitesse will show a clean pair of heels, where that is legally permissible, to some costly mainland European cars.

The Honda-based Rover 200 series, now that the suspension has been sorted out and BL's own 1.6 litre engine made available, is much improved. Even traditional Rover owners should feel at home in them.

For sheer performance BMW's M535i saloon and M635CSi coupe are almost unique. They look little different to any other BMW 5 or 6-series car but their more highly-tuned engines give astonishingly high speeds (maximum speeds of around 150 mph are claimed) while preserving easy driveability in traffic.

They manage to make traditionally squashed-up supercars seem faintly ridiculous. The 518i BMW is in a different performance class but offers the marque's quality and refinement at a price even the Fords and GMs of this world would rate competitive.

Fiat's thrust into the executive class is being led by the Regata. The Regata 100 Super at under £7,000, complete with an almost Japanese level of equipment, is a Sierra Ghia alternative.

Japanese cars are not as popular with company buyers as they are with private individuals but the importers have fleet sales ambitious nonetheless. Mitsubishi's Colt's latest Galant with front-wheel drive is as up to date as the old one had become long in the tooth. The 2000GLS and the just-introduced Turbo are quieter and quicker than many rivals in their price class. Toyota's Camry Executive is highly specified and equally attractive.

From France, the big Peugeot 604 is now imported to special order only but the 505 GTI offers similar performance and comfort with less bulk. Not an enthusiast's car, but those users who demand seats like club armchairs in a saloon that covers the ground quickly and unobtrusively will like the 505GTI.

The same may be said of Renault's sybaritic 25, with a choice of 4-cylinder of V6 engines recently enlarged by the addition of a V6 Turbo in a notably well-equipped flagship of the fleet.

When Saab's 9000 arrives in the autumn it will cost about £16,000. Though developed jointly with Lancia's Thema in the early stages, it became increasingly Swedish as time passed and, while not dissimilar in appearance, they are different cars in many important respects. The Thema takes over from Lancia's singular and not very successful Gamma; the 9000 supplements Saab's existing range of 900 3, 4 and 5-door cars and has the same 16-valve turbocharged 2-litre as some 900 Turbo models.

Thema is a saloon, Saab 9000 a hatchback. Both have front-wheel drive and transverse engines (including a V6 in the Lancia) and will have to take sales from cars such as Mercedes, BMW, Audi and Rover, to name only the obvious ones.

I rate them both outstanding cars.

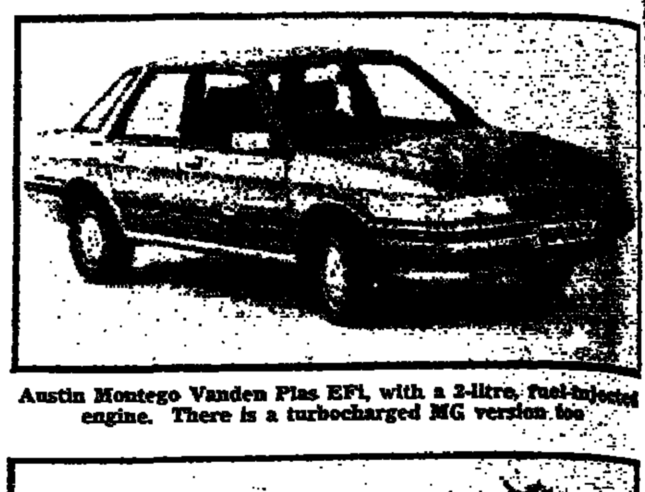
The Opel Senator has reappeared as a Vauxhall. With 2.5 or 3-litre in-line 6-cylinder engines and a four-door saloon body of timeless elegance, the Senator could appeal to ex-Granada users who prefer a boot lid to a tailgate. The 4-cylinder Carlton is a curiously satisfying car to drive.

Volkswagen's Santana was always overshadowed by the Audi 80. The name has gone but the car lives on as the Passat saloon, powered by a 2-litre 5-cylinder engine in its GL5 version and capable of holding 110 mph on the autobahn all day long.

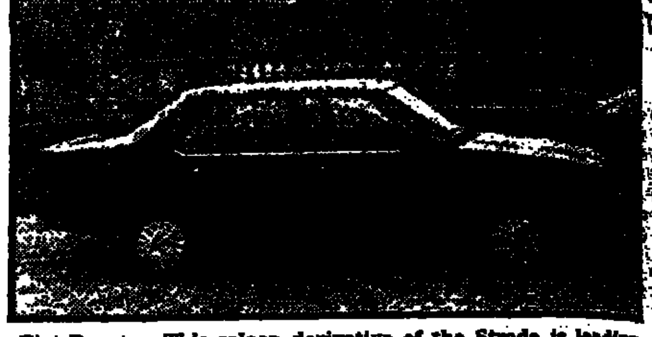
The slab-ended Volvo 760's styling has become so familiar it no longer seems odd. The old 240 model will be with us for a long time yet but the 4-cylinder 2.3-litre engine now goes in the 7-series body to make a 740, an agreeably roomy and surprisingly lively car.

The best Volvo saloon yet is the 740 Turbo Automatic, swift (around 120 mph) and accelerative as well as sturdy. Everything comes as standard—even air conditioning—and the ultra-low-profile tyres give it a nimble feel on corners that could almost be called sporting. It is still a car, though, to satisfy the truly mature motorist who demands real quality.

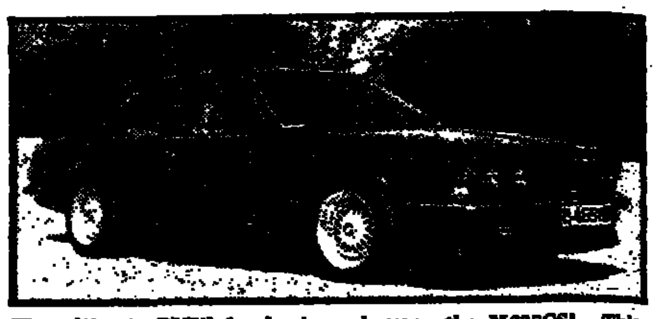
The executive motorist has a good choice of cars now but in a few months' time 1985 promises to turn into a vintage year as the new Mercedes-Benz, Lancias and Saabs become available.



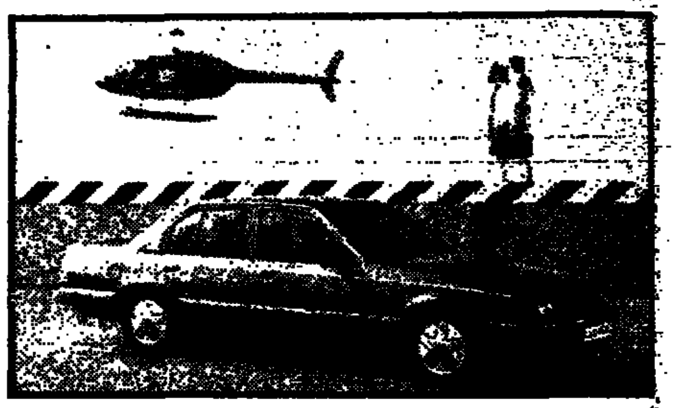
Austin Montego Vanden Plas EFi, with a 2-litre, fuel-injected engine. There is a turbocharged MG version too



Fiat Regata. This saloon derivative of the Strada is leading Fiat's thrust into the fleet market



The ultimate BMW for business buyers, the M635CSi. This luxury 4-seat coupé has a 158 mph maximum



Vauxhall's Carlton CD 2200i saloon. It has the same body as a Senator, but a four-cylinder engine

Increasingly up-market vehicles all but match the best European makers can produce, says John Griffiths

Japanese intensify challenge in Europe

AS RESTRICTIONS on the volumes of cars it can export have proliferated in the developed world's markets, the Japanese motor industry for several years has been pushing its products "up-market" in an attempt to maximise profit per unit.

To date, however, UK buyers of executive cars—and most are purchased with business funds—have still found it relatively easy to resist any temptation to "buy Japanese" and thus risk business world opprobrium for not supporting the troubled European industry.

A principal reason is that despite their determined efforts, Japanese manufacturers have still found it difficult to "get it right." While their engine, gearbox and electronics engineering capabilities are now widely considered as up with Europe's best, styling and vehicle dynamics—in terms of handling and roadholding—have been regarded, in European eyes, as major areas of weakness.

However, the period between mid-1984 (when Honda launched its anti-skid braking equipped Accord and Prelude models) and late-1986, when Honda's version of the XX executive car developed jointly with Austin Rover starts finding its way, without volume restrictions, into EEC markets, may come to be seen as a watershed for the Japanese industry.

There are many signs that it will be regarded as the period when, in product terms, Japan at last "caught up" with the European industry on all fronts.

The Prelude, though hardly a mainstream executive competitor, but a two-plus-two coupe, was perhaps the first Japanese car to be compared favourably with European rivals. In the spring of this year, Toyota threw another straw into the wind with its launch of the MR2 mid-engined two-seater, which has met acclaim throughout Europe as setting new standards, on all fronts, for "affordable" (£9,500) sports cars.

Worthy

At the same time, it introduced new versions of its Corolla hatchback — using the same engine as the MR2—which has been greeted as a worthy rival, in performance, build quality and handling terms, to Volkswagen's now legendary Golf GTi.

And from other Japanese manufacturers during the past few months have come models indicating that their industry is moving to a new stage of sophistication.

An example is provided by Subaru, one of Japan's smaller producers and known until now mainly for relatively cheap family saloons and estates providing the option of two- and four-wheel drive.

At the Geneva Show this spring, however, it made its own major leap up-market with the unveiling of its XT Turbo, a dramatically-styled 120 mph four-seater coupe also capable of being operated in two or four-wheel drive form. Its specification includes electro-pneumatic suspension with an electronic height control and levelling system.

It is about to go on sale in the Swiss and some other Continental markets, with prices approaching £11,000.

Another Japanese manufacturer, Isuzu, (in which General Motors has a 34 per cent stake), will make its UK debut in October. Perhaps surprisingly, its Piazza coupe is to be sold not through GM's Vauxhall/Opel dealer network, but through the Charles Follett Porsche and Jaguar retail group, which is setting up Isuzu Cars (GB) to import them.

This should, however, add yet another significant competitor to the sporting coupe market, already being exploited with considerable success by Nissan, with its Silvia Turbo coupe; Toyota with its Celica and Mitsubishi with its Starion. The Piazza, again with a 2-litre turbocharged engine, is far removed from the traditional Japanese image of low-cost economy cars.

But if many of the inroads made into the executive sector so far have been with relatively "fringe" models in the sporting category—many of the traditional Japanese executive saloons being offered in the UK are facelifted, relatively old models which have made little sales penetration—this situation, too, is about to change.

Honda's Accord, for example, has been seen as nibbling away at only the bottom layer of the executive car market (the most expensive model costs £9,500), with most of its sales concentrated in the private buyer market for volume-built medium saloons.

At the Tokyo motor show in October, however, a completely new Accord is expected to be launched with European styling (Honda has been setting up its own decision centre in West Germany, to attune itself more closely with European tastes) and, significantly, new engines which will take it into the 2-litre class, while the Prelude itself is to get a 16-valve version of the 2-litre engine.

At the same time, Honda, like Mazda, is working on a four-wheel steering system for future cars.

Most significant, perhaps, is that at the same time as the new Accord is being finalised, yet another new car, the Integra, is being launched to fill out Honda's range. This means that, with the XX, in the space of less than a year, just one of Japan's nine car producers will have launched three entirely new cars—a rate of introduction no European manufacturer can match, and which is now being viewed with increasing concern.

Planning

That concern is likely to be heightened in the course of the Tokyo Show. Among others, Nissan's Skyline executive-class model is up for renewal; so is Toyota's Celica, and other manufacturers such as Mazda are planning sophisticated V6-engined models. And the pace of new model introductions is expected to accelerate through to the end of the decade.

In product terms alone, therefore, there seems little doubt that the temptation to "buy Japanese" will become considerably stronger. And the Japanese industry, facing fierce competition and low profitability in its domestic market, is going to be anxious to exploit it.

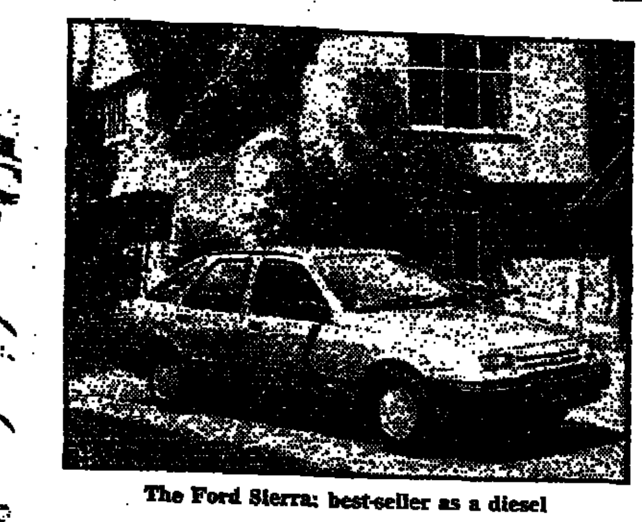
There remains the problem, of the various formal and informal import restraints which exist in the various European markets, such as the Anglo-Japanese "gentlemen's agreement" which restricts Japanese imports to 11 per cent of the UK market.

For two Japanese producers at least, the problem is expected to reduce considerably in the near future: Nissan's assembly plant at Washington, Tyne and Wear, is due to begin output next year assembling initially 24,000 Stanza medium saloons a year, but expanding to full-scale manufacture of at least 100,000 cars a year by 1990.

With the Government's approval of BL's corporate plan seemingly imminent at the end of May, Honda and Austin Rover are expected to move quickly towards an agreement under which Honda will use Austin Rover's spare capacity of more than 250,000 cars a year to have its own models assembled in Austin Rover plants—and under EEC rules they are likely to be free of any quota restraints.

By satisfying the volume market in this manner, both Honda and Nissan could be free to use their import quotas to promote high-profit executive car sales more intensely.

And it is not expected to be too far into the future before Toyota decides its own approach to producing within Europe—and thus, potentially, manoeuvre itself into the same position as Nissan and Honda.



The Ford Sierra: best-seller as a diesel

The UK's best-selling diesels

	Engine cc	1983 total	1984 total	% change
Ford Sierra	2,304	4,308	6,871	+59.5
Ford Escort	1,608	n.a.	4,492	—
Peugeot 305D	1,905*	3,017	4,247	+40.8
Vauxhall Cavalier	1,598	4,087	4,028	− 1.4
Peugeot 205D	1,769	217	3,471	+1,500
Ford Fiesta	1,608	n.a.	3,256	—
Ford Orion	1,608	n.a.	2,254	—
Citroen BX19D	1,905	4	2,008	+50,100
Renault 18	2,068	1,536	1,653	+ 7.6
Vauxhall Astra	1,598	1,532	1,645	+ 7.4

* Also sold with 1,796 cc engine. † Not available in 1983.
Source: Automotive Industry Data.

UK registrations are set for 7-10% share by 1990s, says Stuart Marshall

Diesels rising like a rocket

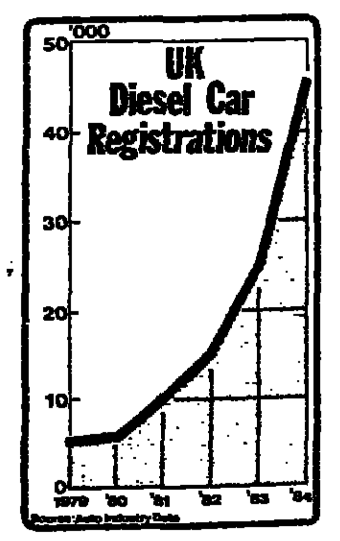
Diesel car registrations in Britain are rising like a rocket. In the last decade they have gone up from a negligible 2,000 units in 1975, or 0.2 per cent of the market, to 45,100 units last year (2.6 per cent).

Most of the growth has been in the last three years. In 1982 they reached five figures for the first time with 14,400 registrations (0.9 per cent), almost doubled to 24,600 (1.4 per cent of a larger market) in 1983 and showed similar growth last year to 45,100 (2.6 per cent).

If present trends are maintained, 75,000 units should easily be reached this year. But these figures have to be seen against those for mainland Europe where the diesel car's penetration had already reached 2.6 per cent ten years ago and was 12.77 per cent last year.

Automotive Industry Data, whose forecasts have been very accurate, considers that by the end of the decade annual diesel car sales in Western Europe will reach 2m, or 20 per cent of the total new car market. Having started from a much lower base, the UK cannot hope to match the European market generally. Depending who one listens to, and Ford is among the most optimistic, the diesel car could be commanding anything from seven to ten per cent market share by 1990 in Britain.

Where Britain also differs from mainland Europe is that most of the diesel car growth has been at the lower end of



the market; in Europe it has been the large car buyer who has espoused the diesel most enthusiastically.

Of the top ten in the diesel car league in Britain last year, only two—the Ford Sierra, with a 2.3 litre Peugeot engine, and the 2,068 cc Renault 18—have engines of more than 2 litres capacity.

The most likely reason for this is that the great majority of large cars are bought in Britain for company use, which is not the case on the Continent. Fuel economy means much less to the large car driver here than it does in Germany, France and, especially, Italy.

Instead of passing the monthly petrol bill through to the accounts department for payment, the business motorist on the Continent tends to use his own car and is paid a mileage allowance by his employer.

The more economical the car, the more financially rewarding it is to use it for business. A differential in fuel prices is also a factor. Gasoil is extremely cheap in Italy—about one third the price of super grade petrol—though the diesel car pays a large extra annual tax.

In France, gasoil is about one Franc a litre less than premium petrol, or 50p per gallon, though in Germany diesel has had little if any price advantage. Recently, it was slightly dearer than premium, as it was for a short time in Britain last winter. Now, diesel at the pump is about 8p per gallon cheaper than four star in most areas of the UK.

It seems likely that the surge in demand for smaller diesels in Britain has been sparked by fleet manager's anxiety to cut fuel bills. High mileage reps have been issued with diesel Fords and, increasingly, Peugeots. Middle and senior managers whose mileages are lower and for whom a car is part perk, part management tool, still opt for petrol-engined cars.

There is also quite a lot of prejudice, based on lack of knowledge, against the diesel car here. This disappeared long ago on the Continent where ownership of a diesel is held to demonstrate sympathy with the environment as well as financial acumen. Diesel emissions are less harmful than those from petrol engines and their fuel contains no lead.

In Britain, the most popular large passenger car with a diesel engine (the Sierra does not count because it is a medium size car with an untypically large engine) is the Peugeot 505D, which scored 894 registrations in 1984 against 740 in 1983, a rise of 20.8 per cent. Registrations of most other large diesels fell in 1984 compared with 1983, though too much should not be read into the simple statistics.

The Ford Granada diesel (a 2.5 litre Peugeot-supplied engine) dipped marginally in 1984 from 749 to 741 units. There was a big fall in the W123 medium-size Mercedes-Benz diesel saloon cars (from 929 to 619) but those of the estate version of the same car rose by 60 per cent from 180 to 288 units.

Audi's 100D bucked the trend, rising by 78 per cent from 150 to 267 units, though sales of the Audi 80 turbo-diesel declined 49.5 per cent from 501 to 253. The smaller Mercedes 190 diesel, introduced into Britain only last autumn, scored 190 registrations and could well treble this total in 1985.

Citroen, taken by surprise by heavy demand for its BX19 diesel last year (2,008 units) says demand is outrunning supply and would not be surprised if sales more than doubled this year.

Fleets like that of Scottish and Newcastle Breweries, which have gone over completely to diesel cars, profess themselves well pleased by the result, claiming large savings on fuel and maintenance and much better retained values when the cars are finally sold.

A powerful influence on future diesel car growth in Britain will be repeat purchases by owners who have discovered that the cars are not slow, noisy or smelly and are, in fact, very little different to drive from petrol-engine equivalents. Starting, regardless of weather, is immediate, given a few seconds delay for the pre-heat plugs to operate.

The danger of fuel waxing in bitterly cold weather is much exaggerated and easily overcome by the use of an additive for a few weeks in the year. And the reduction in consumption, especially in urban conditions, can be quite spectacular.

Executive Cars 8

Funds are short at a time when new technologies are expanding. **Rob Golding** reports on the race to produce the best

Development resources under strain

IT IS HARD to lay long-term plans in the motor industry. At the very time that the expansion of technology opens up a whole vista of new opportunities, the funds dry up.

Nobody anticipated quite the severity of cut-throat competition that existed last year and has dragged over into 1985.

In Britain, Ford, Vauxhall and Austin Rover all lost more money on market support than they ever imagined possible. Vauxhall managed the extraordinary feat of overspending its promotions budget by £13m.

It was all a terrible drain on development resources — development necessary not just because the opportunities are there, but because the consumer is becoming increasingly sophisticated, good design is becoming more and more important, and legislation is requiring environmental improvements.

At the end of this month the German Government, which is heavily pressured by the Green Party and is the stalking horse for EEC legislators, will be setting new emission levels. That will fix the pace of engine development for many years to come.

Manufacturers will decide either that they can meet the standards only by fitting expensive and power-sapping catalytic converters, or by refining conventional technology.

Catalysts have been a considerable fly in the ointment. The new Ford Granada was delayed for six months while engineers redesigned the floorpan to house the £500 converter should it become necessary.

In Germany, buyers of several luxury cars have actually been specifying an optional catalyst to demonstrate their social responsibility. Not for them the three pollutants of unburnt hydrocarbons, carbon monoxide or nitrogen oxides.

The other way to tackle the problem is with lean-burn engines. Japanese manufacturers already have them. In Europe, Ford is believed to have the edge technically, can already make a tractable engine with 17 to one air to fuel mixtures and it pitching for 22 to one.

The only way to get a lean mixture to burn better than a rich one is to improve dramatically the turbulence in the combustion chambers. This has given rise to frenetic research on cylinder head design, much assisted by computer-aided design.

Running in parallel with engine design changes required by law is the quest for fuel-efficient performance. The turbocharging industry invented by Saab and adopted by anyone who wanted to make a name for themselves, is beginning to peak.

The acceleration lag that is inherent with turbos and the restriction of optimum acceleration to certain rev ranges, are not ideal for all performance enthusiasts. Four valves per cylinder, popularised 12 years ago by the Triumph Dolomite Sprint but never widely operated, is gaining support again.

Twin camshafts

Ford's 14 engine for the 1990s is to be built in a new plant at Dagenham and will have twin camshafts and 16 valves. The new Lamborghini Countach, at the other extreme, has 48.

The number of cylinders is again in a state of flux. Jaguar decided, in designing its XJ40 engine, that conservationists would never again allow the refinement of 12 cylinders. Then it heard that BMW was to plant a 12 in its up-and-coming new 7-Series and rushed to the drawing board. It is now confirmed that Mercedes also has unfrozen the dozen.

Electronics have a growing part to play in engine management. Precise monitoring of engine condition, load and demand presents the opportunity for precise fuel metering.

Saab announced earlier this year that it wants to have in production by 1987 a direct ignition system that does away with conventional distributor, rotor arms and high tension leads. A sensor on the crankshaft pinpoints the exact moment at which to fire each cylinder.

BMW thought at one time that cutting out cylinders was a short cut to fuel economy—blanking off three or six cylinders on the overrun. This proved to be a blind alley.

Its next tweak will be an electronic throttle. Instead of a fixed link that gushes fuel into the chambers when the throttle is pressed to the floor, an intelligent controller decides how much fuel is really necessary.

Attention is also fixed pretty firmly on efficiency improvements possible from greater refinement of the transmission. There is a strong trend on automatic boxes to lock-up fourth giving direct drive and manual box economy.

Constantly variable transmiscouple of years. Its virtue is sion has been imminent for a an automatic gearbox with the economy of a manual. There are no fixed ratios so the graduations are stepless and the engine is always in its most efficient mode.

There is general agreement that the technology has reached an acceptable point, but there has been much heartache in getting into production. Van Doorne was leading the way with Ford and Fiat as the prime customers but now Borg Warner — formerly in partnership with the Dutch company — is threatening to go it alone.

Both Mercedes and BMW will extend the option of switchable ratios on automatic — one set for poodling around town with maximum economy; the other for hammering over the Alps.

Four-wheel drive i s the fashion that has surplanted the turbo. Ford has taken viscous couplings from FF Developments and created a system that is every bit as good as the pioneering Audi assembly.

But as happens with turbos, there are some ghastly imitators and there will doubtless be more before the market settles down to using it as a performance feature rather than a marketing device. The Japanese have a particularly agricultural approach to driving all four corners ofthe car.

Initiative

Ford has also taken an important initiative on anti-lock brakes which is the greatest safety advance since disc brakes. On a wet road, the £600 system can improve stopping distances by 30 per cent. On sheet ice that can rise to 50 per cent.

Jaguar and Rover will follow suit with Bosch anti-lock systems on their new models next year, but in Rover's case it will be a top-of-the-range fitment. Ford's Granada has the Teves system as standard.

To mix temperamental electronics with equipment as safety sensitive as braking is not for the faint-hearted. The minor manufacturers will have to follow Ford's lead eventually but progress will be slow.

Both Saab and Citroen are known to be taking Bosch electronics and developing their own hydraulics. Some makers are looking very carefully at the Lucas alternative of a cheaper hydro-mechanical system that is giving promising results.

Volvo has pioneered anti-slip acceleration which is a sort of anti-lock in reverse. It ends the fun of tyre squeal and blue smoke in the traffi lights grand prix. BMW are thought to be offering a rival system on the 7-Series before the end of the year.

As the search goes on for weight reductions, and aerodynamics become better understood, there will be renewed interest in self-levelling suspension.

Weight is the greatets ally of the suspension engineer and as it disappears the disparity between ride quality with the car empty and fully laden will become greater.

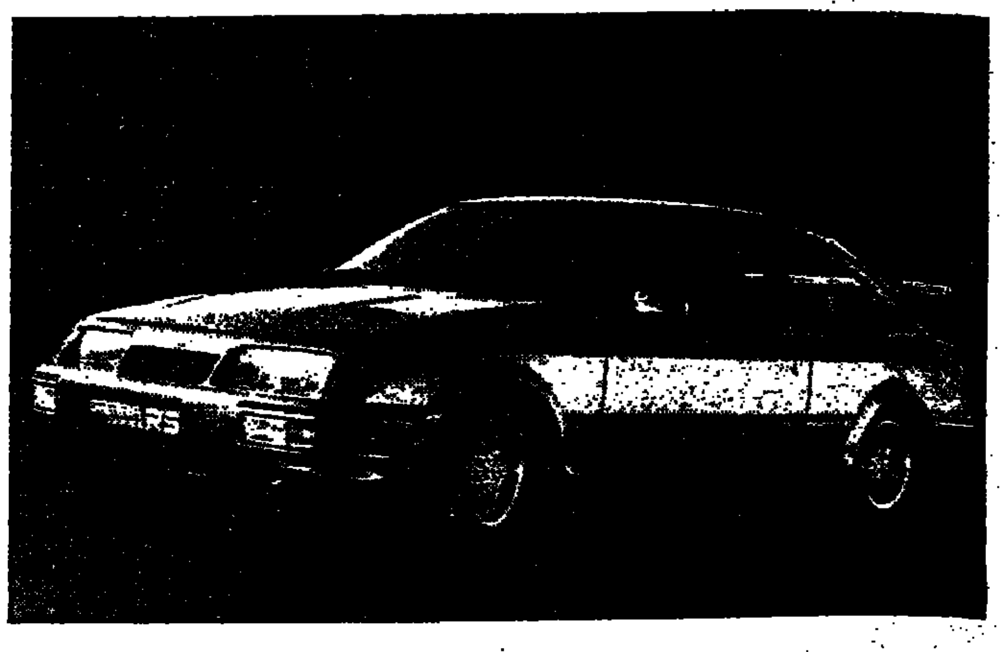
The Citroen CX already has it and rides as well with a two-thirds of a ton load as it does empty.

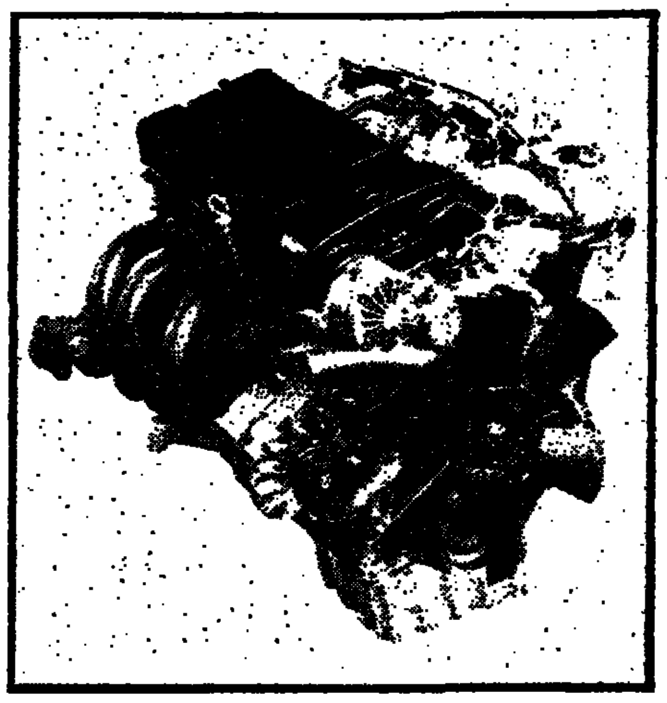
But special-purpose machine tools are required to make the components and most manufacturers are deterred from making the investment. A further incentive may come form the desire to make a car ride lower at cruising speeds to improve drag.

Lotus has for many years been looking hard at the idea of interactive suspension that will sense cornering forces and stiffe up the side of the car that is heavily laden. Not only should cornering speeds rise but also passengers should be less discomforted. The system is thought to be fairly close to viability.

Not all the advances will be directed at performance improvement. There is life left yet in the microchip for delivering yet more convenience and gimmickry. A prime example is a feature of the forthcoming Rover XX which will have an integrated memory for the driver's seat and the rear-view mirror so that husband and wife only have to punch a button for electric motors to whirr into action and fix ideal driving alignments.

Mazda has electronic synchronisation of stering for all four wheels under development. Which of these is the gimmick and whic hthe convenience is a matter ofr rewarding debate.





Left: the four-cylinder, 16-valve engine which powers the most powerful Mercedes-Benz 190 model. Above: Ford's Sierra RS Cosworth has a new 2-litre 200 hp Cosworth engine with turbocharging, fuel injection and twin overhead camshafts. Production, in Belgium, is due to begin in the autumn. The intense competition to offer buyers high-specification cars with advanced features including sophisticated engines, electronics and braking systems, is leading to progress but results cannot be achieved quickly. The cost of investment is also a limiting factor as budgets are squeezed.

Low depreciation is being promoted by the maker, says **John Griffiths**

Focus on residual values

PROFESSIONAL FLEET management and leasing companies have long been aware that the residual value of a car—what it fetches at disposal—can be the single largest cost of operating a vehicle.

This applies to the executive and luxury car sector even more than to "bread and butter" volume cars. As one recent report from a leasing company pointed out, it is possible to lose £3,100 over the three-year life of a car bought new for £10,000, simply as the result of buying the worst, rather than least, depreciating model in the price range.

Manufacturers specialising in some of the executive car sectors, such as Mercedes, BMW, Volvo, Saab or Porsche—all with apparently very low depreciation rates—try to drive this point home as a major element of their marketing strategies in the UK (to accompany the images they project as offering engineering and build integrity a cut above the volume producers).

In sales terms they have met with considerable success: all have made substantial market inroads at a time when most of the volume makers' executive car sales have fallen back quite considerably, though they are now fighting back.

Their activities have also been accompanied by a high degree of profitability, as a result of convincing a large number of buyers that, by seemingly not indulging in the discount wars which have swept through the volume car producers, they are protecting residual values, to the long-term benefit of the customers.

However, the message has by no means permeated throughout the ranks of executive car buyers—despite the fact that the majority of purchases are made by businesses which theoretically should be keeping a close eye on cost control.

In its report for 1985, The Company Secretary's Review*, which received answers to its detailed questionnaire on company car policies from 1,200 companies, found that residual values came only eighth in their "league table" of concerns, behind the availability of spare parts. Rather higher, at fourth, came the preoccupation with "front-end" discounts—irrespective of the fact that any discount received on initial purchase is certain to be reflected in a commensurately lower residual value.

However, in the course of its questioning, the review received some answers which indicated that there could be a certain amount of mythology about the perceived "no discount," or at least litle discount, approach of the specialised executive car makers.

It asked the surveyed companies to state the discounts they obtained on a wide variety of models. The mean averages calculated from the returns were: 7.7 per cent for Mercedes (with a highest individual discount of 12.2 per cent); BMW 8.8 per cent (with a high of 10.4 per cent); Volvo 13.9 per cent (high of 14.5); Saab 11.7 per cent (high of 13.9 per cent) and Jaguar—on the sample 4.2-litre model—9.9 per cent (high of 11.2 per cent).

These figures compared with averages hovering around 14 per cent for cars pitched at the executive sector by the volume manufacturers, such as Ford's (old model) Granada and BL's Rover range.

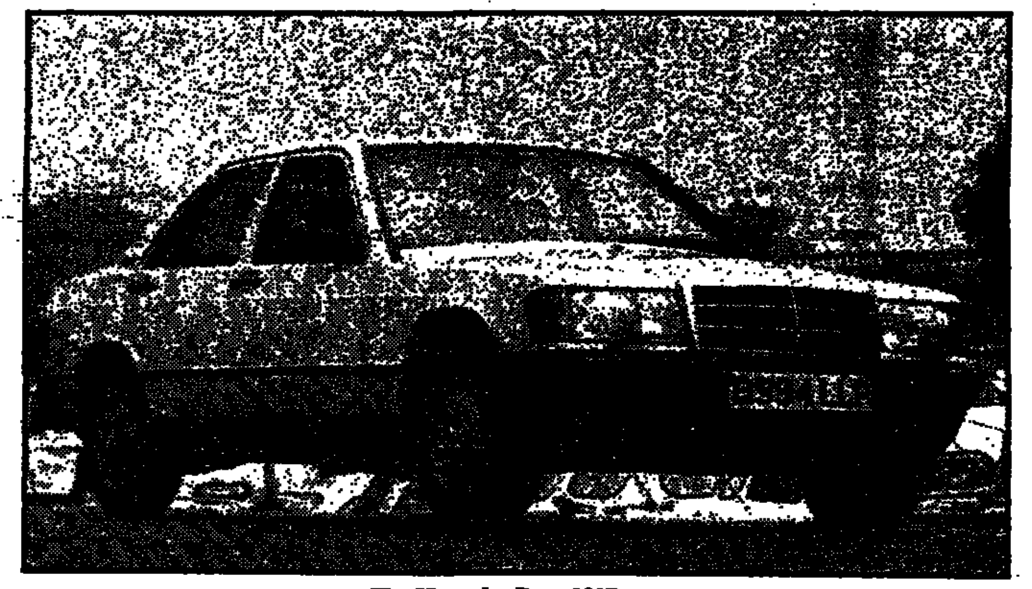
The review itself advised caution in appraising the figures. It pointed out, for example, that 43 per cent of all the companies surveyed said they did not receive any discount (although, says the review, they may have received inflated trade-in values to achieve the same result). And it warns that "the figures are intended as a guide only—it cannot be guaranteed that they will be the figures arrived at in every sale."

To some extent, executives of some of the specialist producers do acknowledge that, in the current fiercely competitive conditions of the UK market-place, it has become increasingly difficult to dissuade some of their dealerships from engaging in discounting when the pressures to maintain cash flow mount.

But they, too, suggest that the review's figures need to be regarded with caution—from a different viewpoint. For many buyers, they suggest, the achieving of the best possible discount from a dealer has become almost a 'virility' symbol. So it could be seen as a natural temptation for a company executive charged with filling in the questionnaire, to indicate that his company has done rather better in securing discounts than might actually be the case . . .

Another aspect of the undoubtedly high residual values of the specialist executive car makers, compared to their official 'list' prices has also been called into question by some industry observers in recent months. The quoted values may appear high, the argument goes; but in reality many BMWs, for example, are ordered loaded with 'extras,' which can add 30 per cent, or even more, to the basic price. Since the trade acknowledges that the cost of extras is recouped to only a very small extent when a car is sold, there exists a view that the true residual value of such cars, when compared with the total original purchase price, is rather less than may at first appear . . .

Company Secretary's Review—survey of company car schemes 1984.



The Mercedes-Benz 190D.

Kenneth Gooding on the consequences for manufacturers

More freedom to choose perk cars

COMPANIES, large and small, are giving their executives much more freedom of choice when allocating "perk" cars. This message comes through loud and clear from the two organisations which regularly monitor companies' car allocation policies.

Tony Vernon-Harcourt, joint author of Monks Guide, says the growth in freedom of choice has been a phenomenon throughout the corporate heirarchy—from sales representative to director.

In 1983 some 58 per cent of the companies sampled—mainly large organisations, typically with a fleet of 350 cars—allowed a director to choose any car he wanted. The 1985 survey shows the number was up to 63 per cent.

In the case of senior managers, the percentage rose from 44 to 50. Even at the sales rep level the change was from 17 per cent to 27 per cent permitted to choose any car within price limits

Mr Vernon-Harcourt points out that this increasing freedom of choice makes breaking into the car fleet market a difficult task for the manufacturer. "For example, the new Austin Rover models are having limited success, as yet, against the well-established Ford Sierra and Vauxhall Cavalier models, particularly in the sales area."

The most recent survey of company car schemes by Company Secretary's Review magazine, which concentrates more on smaller organisations, reports that "allowing the employees to have some sort of say in the choice of car is becoming an increasingly more popular method of model allocation."

Over half the 1,000 companies surveyed permitted a limited choice within a specified price range and nearly half a free choice in that range. The comparative figures for 1982 were 49 per cent and 42 per cent respectively.

Free choice

CSR found that 43 per cent of companies permitted directors to have a free choice within a price range while 37 per cent gave them a limited choice within a price range. For senior management the position was more or less reversed: 44 per cent of organisations gave them limited choice within a price range while 23 per cent gave a free choice.

Of the possible additional stipulations, "a British car was again favourite. A "flying the flag" image still seems to be of significant importance," states CSR.

Mr Vernon-Harcourt explains: "Most companies give the executive a range of defined models from which to choose. In the larger company the list may be seven to ten models long. Alternatively, the company may select a benchmark model, but allow employees to choose any other vehicle of no greater cost from selected manufacturers."

Given more freedom of choice, what are executives choosing?

Monks Guide reports that Austin Rover's Rover SD1 saloon and its former stablemate the Jaguar dominate the director and senior manager lists.

At all other job levels vehicles from the Sierra and Cavalier ranges dominate.

CSR's survey gave a similar result. Before Jaguar was sold back to the private sector, BL dominated the directors' cars table with a 26 per cent share. However, "as a group, German cars took the same share of this lucrative market, with BMW leading the way."

CSR also suggests that Ford's domination of the company car market has been eroded, a little by BL, but particularly by General Motors, the Vauxhall-Opel group.

The Vauxhall Cavalier has doubled its penetration of the company rep sector following the demise of the Ford Cortina and its replacement by the Sierra. The Cavalier is now the most popular car for representatives. CSR reckons Ford's share of the representatives' sector has slipped from 63 per cent to 52 per cent as a result while Vauxhall's improved from 15 per cent to 31 per cent.

Ford disputes these findings though and insists that its position is as strong as ever at about 50 per cent.

The survey of large companies by Monks Guide found the most popular models for each category were: chairmen: Jaguar XJ6 4.2 or Sovereign 4.2; chief executive: Jaguar XJ6 4.2, Sovereign 4.2 or Rover Vanden Plas;

Directors: Rover 3.5 Vanden Plas or 2.6 S, Jaguar XJ6 4.2 or Sovereign 4.2; senior managers: Rover 2.6S or 3.5 Vanden Plas. Ford Granada 2.8 GL or Ghia.

Area sales manager: Ford Sierra 2.0 GL or Ghia. Vauxhall Cavalier 1.6 GL; junior sales representatives: Vauxhall Cavalier 1.6 L four-door. Ford Sierra 1.6L.

Minimum "perk" car (the car provided at the job grade or level at which a car becomes a standard benefit, typically when salary reaches £13,500 to £14,000 a year) Vauxhall Cavalier 1.6L. Ford Sierra 1.6L, 2.0 GL, 1.6GL.

Monks Guide points out: "The manufacturer wishing to get his models into a car fleet has two hurdles to overcome. First he must ensure the user company puts his models or his company on the approved list. Secondly, he must "sell" directly to the employee — so that the employee chooses his models from among the range of vehicles likely to be on offer."

Influence

The Monks Guide survey showed that 63 per cent of the companies sampled bought their cars outright, about 17 per cent leased vehicles, and 20 per cent used contract hire. "Company size has a major influence on acquisition policy — with both leasing and contract hire being substantially more popular in the medium and smaller companies," the survey adds.

As so many companies appear to choose outright purchase, the CSR revelations about the discounts available take on considerable significance.

CSR says discounts were generally around 13 per cent to 14 per cent, slightly lower than in 1982. The largest discounts found were on the Austin Metro (15.2 per cent) and the now-discontinued Triumph Acclaim (15.1 per cent).

The two major mid-range rivals, the Ford Sierra and Vauxhall Cavalier, were attracting discounts of 14.5 per cent.

And CSR suggests that discounts are given on cars with more prestige, such as the Jaguar 4.2 (9.9 per cent) and Mercedes (7.7 per cent).

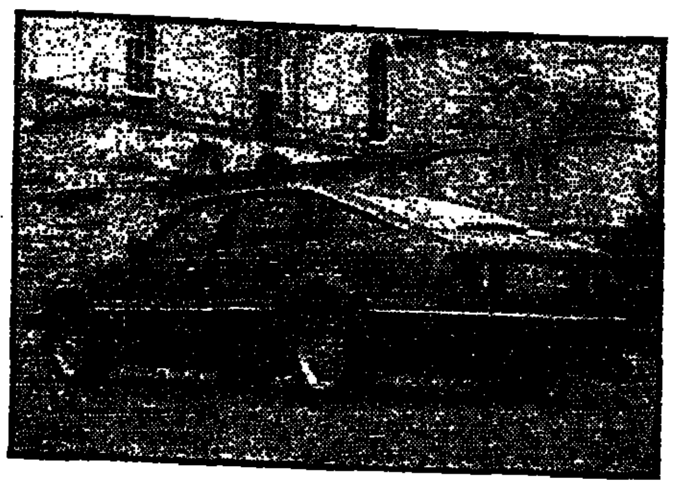
However, its survey gives a warning that "these figures are intended only as a guide — it cannot be guaranteed that they will be the discounts arrived at in every sale. Factors such as size of order and part exchange must also be taken into account."

Companies seem to be taking a more rosy view of the next five years than they used to. Some 43 per cent told CSR that they expected to increase the number of cars they provided, compared with only 35 per cent in 1982.

Middle management was expected to benefit most from this expansion.

Monks Guide to Company Car Policy, price £30 from Monks Publications, Debden Green, Saffron Walden, Essex.

Company Secretary's Review: Survey of Company Car Schemes, price £27 from Tolley Publishing, 17, Scarbrook Road, Croydon, Surrey, CRO 1SQ.



The Rover Vanden Plas: often the director's choice

George Graham describes the continuing attractions of giving cars to employees

Company car is still a bargain

THE TAX cost of a company car has risen steeply with this year's Budget — by about 10 per cent in most cases. But the Chancellor has not removed the incentive for employers to give their employees cars rather than cash.

He may in fact have increased its attraction, by abolishing the upper earnings limit on employers' National Insurance contributions. This will lead to hefty additional costs for employers with highly-paid workforces, but the burden can be reduced in some measure by giving employees benefits in kind instead of cash.

These benefits are not liable to either employers' or employees' National Insurance contributions. The saving to the employer can therefore be considerable, even if the employee is still taxed on the car or other benefit received.

Without this National Insurance saving, company cars are still tax-efficient in most cases. The employee is taxed on the value of the car provided by his or her employer, but this value is assessed on a fixed scale published each year by the Inland Revenue (see table).

Most employees still find that the scale charge on which tax is assessed on their company cars is well below the value of the car to them. Above all, the uncertainty of car service and repair bills is avoided.

The Inland Revenue assumes that a car is used for at least 2,500 miles a year of business travel when it calculates these scale charges. But where a car is used "preponderently" for business, the scale benefit on which tax is charged will be halved. For this, business use must be more than 18,000 miles a year.

But if the employee travels less than 2,500 miles for genuine business purposes — and this does not include travelling to and from work — then the car will be treated as a non-business car.

The taxable benefit will then be one and a half times the scale charge on an ordinary business car. If more than one car is provided to an employee, only the first can be treated as a business car.

The scale charge covers all expenses relating to the car that are paid directly by the employer, and the employee is not liable to any further tax because of these extra expenses. But if he pays the bills himself he is reimbursed later by his employer, then these expenses will be treated as a taxable benefit on top of the scale charge.

It is therefore more tax-efficient for all car expenses such as repairs to be the legal responsibility of the employer and to be paid for directly by him.

Petrol, however, is treated differently. When the rules on the taxation of company cars were first introduced in 1976 there were many anomalies, and the 1981 Finance Act introduced measures aimed at sorting out some of the confusion.

Under the new rules fuel provided to an employee is treated as a taxable benefit on a fixed scale similar to that covering the car itself.

"All or nothing" is the principle applied by the Inland Revenue to petrol. If any petrol allowance is made, tax is due on the full benefit fixed for the relevant size of car. This could give rise to a tax bill bigger than the fuel allowance itself.

The rules governing both cars and petrol relate only to directors and "higher-paid employees." But the definition of "higher paid" has remained static at £8,500 a year, so few employees who are given company cars now fall outside this net.

Dividing line

Those that do should, however, watch the dividing line closely. Accountants Touche Ross give the example of an employee who receives a salary of £7,800 a year, and a 1300 cc car on which he does no business mileage. This would be charged as a benefit worth £675 a year, but because total emoluments, including the car, total only £8,475 the car is not treated as a taxable benefit.

If his salary is increased in March next year by as little as £100, he will receive only an extra £8.33 in the 1985-86 tax year, but he will be treated as higher paid because he received annual emoluments at a rate in excess of £8,500 a year. His tax bill therefore climbs by £200, because the car becomes a taxable benefit.

However, an employee earning less than £8,500 a year may still be taxed on a company car if the Inland Revenue decides it is a benefit that can be converted into cash — if, for example, the employee can claim a higher salary by giving up the car.

The average motorist driving a 1600 cc car will pay about £3.03 a week in tax for his car this year. This figure doubles if he receives petrol, too. In the 1986-87 tax year the higher scales of benefit will raise his tax bill, to about £3.32 a week.

Car and car fuel benefit scale charges

	Cars under 4 yrs. old £	Cars over 4 yrs. old £	Fuel £
1985-86:			
Cars costing up to £17,500:			
Up to 1300 cc	410	275	410
1301-1800 cc	525	350	525
Over 1800 cc	825	550	825
Cars costing £17,500-£26,500	1,200	800	825
Cars costing over £26,500	1,900	1,270	825
	Cars under 4 yrs. old £	Cars over 4 yrs. old £	Fuel £
1986-87:			
Cars costing up to £19,250:			
Up to 1300 cc	450	300	450
1301-1800cc	575	380	575
Over 1800 cc	900	600	900
Cars costing £19,250-£29,000	1,320	875	900
Over £29,000	2,100	1,400	900

Source: Inland Revenue.

Executive Cars 10

Geoff Charlish on the market prospects and range of facilities offered

Cellular radio: balance of cost against need

WHAT IS it worth for the average executive to be able to talk on the phone from his car? How real is the need?

The ultimate extent of the need is still a matter for conjecture since the two cellular radiotelephone services that started in January have hardly been in action long enough for long-term trends to emerge. Even so, it is believed that about 8,000 installations were made in the first quarter of this year.

Notwithstanding early "prestige" buyers, there is always a balance between need and cost—but if a real need is there, people will pay.

The proponents of cellular radio were fired by the waiting lists for existing mobile radiotelephone service which could not be satisfied due to lack of frequencies. That slack is rapidly being taken up, after which larger-scale sales to a more general public will produce careful examination of the cost/need equation.

Volume

Soon, people for whom time really is money—salesmen, freelance professionals, site foremen, service providers—will be wooed. However, a true mass market will depend almost entirely on how low prices can be dropped, which is in turn dependent on how volume production develops.

Cellnet, run by British Telecom and Securicor, and Vodafone, run by Racal, are pushing forward with expansion plans. London, Manchester, Birmingham and some motorways are covered and many other well populated areas of the UK will have service by the end of the year.

Subscriber prices have been pitched by the two companies at rather lower levels than previous services. Carphone, claiming to be the biggest UK independent retailer, charges £100 for installation and a monthly rental of £75, after which the user pays call charges of 8p, 16p or 25p a minute depending on the time of day.

Vodafone says outright sale/installation costs about £1,500, leasing over five years about £40 a month. Granadaphone, a Cellnet service retailer, puts leasing at about £2 a day.

Both Cellnet and Vodafone have set up extensive distribution and servicing networks. In many cases cars can be equipped in two hours or so and driven away.

For the user, cellular telephones are much like ordinary telephones except that, for safety's sake, the handset does not have to be taken off-hook for dialling and the "dial" is in fact a small keyboard. The set will tell the caller when it has obtained his number and he merely picks up the handset.

Most sets can also continually dial an engaged number until it answers. Or they can call a long or frequently-used number via a single programmed key. Some have "loudspeaking," obviating handset use and allowing everyone in the car to join in.

Technically, cellular radio is based on using a large number of low-power base station transmitters in "cells" only a few miles across, instead of one big transmitter per city. Mutual interference between service areas is reduced, allowing channel re-use within a few miles, yielding more channels overall.

A computer controls allocation of a local cell channel to a vehicle wherever it may be and sets up calls to and from the fixed phone network (or other cars).

Britain is ahead of both Germany and France in setting up services but there is unlikely to be a common standard, preventing "roaming" of UK cars into Europe and vice versa. Scandinavia, Japan and the U.S. have had services for a year or two.

In the UK there are plans to use the cellular network to bring updated weather and traffic information to motorists within 15 minutes of its origination. Racal, Acorn, Istel, the RAC and several universities are involved, with Government funding of £7.5m over five years.

The radiotelephone is an asset where time is money. But a true mass market will depend on how far prices fall

First off the mark with data transmission in the cellular network is Racal Vodafone, which has announced an add-on unit for vehicle radiotelephones that allows computers, telex, electronic mailboxes and viewdata to be reached from the car.

For the executive car user, the public radiotelephone service is only one communications option. Private company systems still account for most of the equipment sold, although they tend to be aimed more at sales and service fleets.

"Trunking" is also on trial in London. Instead of private user groups each having a fixed channel frequency which cannot usually be fully utilised, a number of channels are allocated to the area and each group is assigned one only when the need arises.

The allocated channels can then be kept more fully occupied, implying more users or fewer channels. Relcom Communications, Storno, Pye Telecoms and Motorola/Audiolink are running the four trials.

Though still expensive, car telephone systems are light and compact. However, the lack of a common European standard limits their use, so that UK sets, for example, cannot be used on the Continent and vice versa

New models are not being rushed, as Kenneth Gooding explains

Why the wait can be worth it

THE Ford of Europe sales force waited with increasing impatience for the new top-of-the-range model, called Scorpio in every market but Britain where the Granada badge is retained.

The dealers also wanted to get their hands on the newcomer because it is in that high-priced bracket which enables dealers—and manufacturers—more room to make a profit.

And Ford needed Scorpio to help reverse the steep downward trend in its profits. Ford of Europe's net earnings topped $1bn a year at the end of the 1970s but were only $147m last year.

Yet the introduction date slipped by almost a year from the original target because Ford was absolutely determined that Scorpio/Granada should not be launched until it was as near-perfect as it is humanly possible to make a car—within the original design restraints.

Ford did not even push the unveiling of early models forward a few weeks to give the newcomer pride of place at the prestige Geneva Motor Show in March, such was the insistence that everything should be just "right."

This policy followed the car right through its development. Engineers were told not to give approval to any component unless they were completely satisfied with its quality. It is said that, as they were not used to this approach, some engineers became a little paranoic and were fearful of signing-off components in case there was some small deficiency they had somehow missed.

This contributed to the "lateness" of the Scorpio/Granada's market launch, it is believed.

The new car was the first to be overtaken by Ford's new style of product development. Instead of setting a date for the launch of a vehicle and working hard to hit that target, there is now no fixed introduction date, only a tentative one. In that way no car or commercial vehicle need be put on the market until it is absolutely ready.

Ford is not the only manufacturer to adopt this approach today. The majority of producers have the same policy, particularly for the executive or luxury cars in their ranges.

There is the example of the Jaguar XJ40 which was developed in something of a hurry to replace the current saloons—a project initiated when it was thought that big-engined cars had little future.

As it turned out, the petrol price did not go high enough to turn customers away and demand for the current Jaguar saloons is at record levels.

So, instead of introducing the XJ40 in 1984, Jaguar has been able to subject it to the most exhaustive testing and proving programme the company has ever undertaken.

A pilot plant was set up and 30 of the XJ40 models were built. Six were sent to Canada for testing in temperatures down to minus 40 deg. C; six went to Australia for testing in temperatures up to 40 deg C. The vehicles were expected to cover 150,000 miles without the need of serious mechanical attention.

Other cars were tested at the Nado racetrack in southern Italy where they covered 25,000 miles at top speed without giving any trouble.

Jaguar chairman Mr John Egan, points out that his company's major competitors, Daimler-Benz and BMW, have always had very thorough development programmes.

"Jaguar is confident that when XJ40 is launched it will set new Jaguar standards in ride, handling, performance and economy together with the high levels of quality, durability and reliability our customers expect and demand," he adds.

When Renault was preparing for the launch in 1983 of its new executive model, the R25, the French group had to face up to the fact that, although it could follow the example of companies like Jaguar, Daimler-Benz and BMW, in terms of the thoroughness of testing, it also had to re-train the workforce who would produce it.

Employees used to the relative rough and tumble of the volume car assembly line had to be taught how to use the extra time allowed by lower volumes to improve quality substantially.

To this end Renault set up a small pilot plant at the Sandouville factory near Le Havre, called the "Rainbow Room" because of its brightly-coloured decorations, and involved line workers from the design stage onwards.

The experimental production line in the Rainbow Room, built at the cost of FFr 15m ($1.9m) enabled employees to be trained in the different techniques required when building up-market cars. The line's relaxed atmosphere allowed workers to take time to look at videos explaining particular assembly tasks and discuss any problems with each other, with suppliers of components, or the management.

Competitors

Pre-production R25 models were also compared daily during coffee breaks with executive cars on display in the recreation area. The vehicles—including the BMW 5-series, Audi 100, the Mercedes 190 and a Jaguar — were changed frequently to give the employees a chance to see firsthand the quality achieved by potential competitors.

In this search for quality, Lancia, Fiat's up-market subsidiary, and Saab, developed a new, modular, approach to car assembly when working on their joint-venture model which emerged as the Saab 9000 and the Lancia Thema.

The cabin of the car is put together by a team while it is static, rather than on an assembly line grinding inexorably along at a couple of miles an hour so forcing people to work in contorted positions.

Once the cabin is ready, it can be taken to the assembly line and attached to the car by only a few bolts.

This approach obviously should have a beneficial impact on the quality and at the same time permit the use of many more high-tech and complex components in the specification.

The process is made easier because the doors are also assembled on static bucks, having been removed from the body after initial construction and painting.

None of this would be possible without the computers which can speedily match the right cabin and doors and bring them together with the rest of the car as it makes its way along the line.

General Motors is using the same, modular system for the new Opel Kadett, built in West Germany, and the UK version, the Vauxhall Astra, assembled at Ellesmere Port. GM uses robo-carriers guided by underfloor wiring to take the cabin first to wiring testing centres and then to the assembly line.

The companies involved say that the process eliminates many of the traditional bottlenecks in car assembly and smoothes the flow of the production lines—as long as the software performs as it should.

And by building the cabin in the new way, they can offer customers many more electronic optional extras—and these are highly-profitable items.

Renault's R25 GS. The workforce was retrained to build a lower-volume up-market car to a very high standard